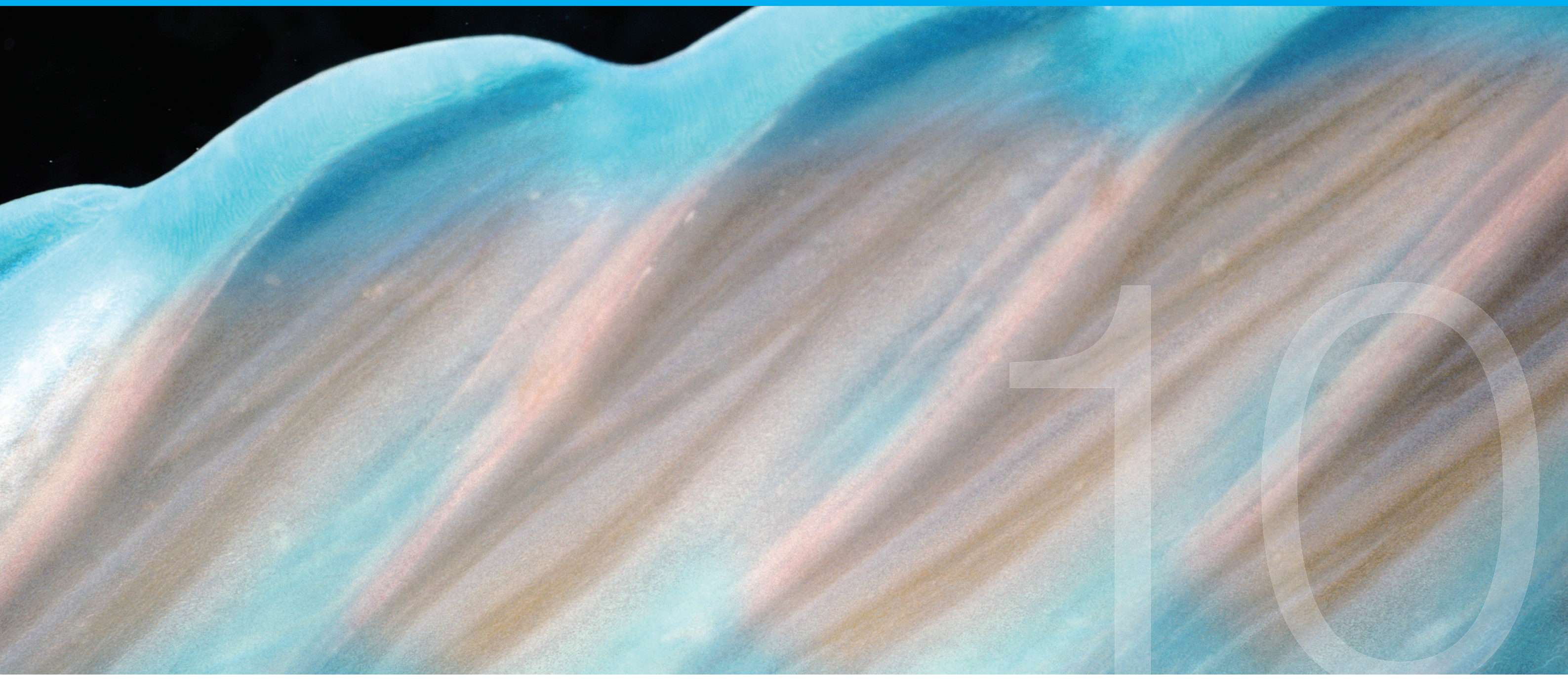
Annual Report and Financial Statements for the year ended 31 December 2010



Albion Development VCT PLC

ALBION VENTURES

Contents

Company information

Company Number	3654040
Directors	G O Vero FCA, Chairman A Phillipps PhD MBA D C Pinckney MA FCA J G T Thornton MA MBA FCA
Manager, company secretary and registered office	Albion Ventures LLP 1 King's Arms Yard London, EC2R 7AF
Registrar	Capita Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield, HD8 0LA
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
Taxation advisers	PricewaterhouseCoopers LLP 1 Embankment Place London, WC2N 6RN
Legal adviser	Berwin Leighton Paisner Adelaide House London Bridge London, EC4R 9HA

Albion Development VCT PLC is a member of the Association of Investment Companies.

Shareholder information	For help relating to dividend payments, shareholdings and share certificates please contact Capita Registrars Limited: Tel: 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am – 5.30pm, Mon – Fri calls may be recorded) Email: *ssd@capitaregistrars.com* Website: *www.capitaregistrars.com* For enquiries relating to the performance of the Fund please contact Albion Ventures LLP: Tel: 0207 601 1850 (lines are open 9.00am – 5.30pm, Mon – Fri, calls may be recorded) Email: *info@albion-ventures.co.uk* Website: *www.albion-ventures.co.uk*
IFA information	Independent Financial Advisers with questions please contact Albion Ventures LLP: Tel: 0207 601 1850 (lines are open 9.00am – 5.30pm, Mon – Fri, calls may be recorded) Email: *info@albion-ventures.co.uk* Website: *www.albion-ventures.co.uk*

Investment objectives

Albion Development VCT PLC (the "Company") is a venture capital trust which raised a total of £33.3 million through an issue of shares between 1999 and 2004. The C shares merged with the Ordinary shares in 2007.

A further £6.3 million was raised through an issue of new D shares in 2009/2010. The funds raised through the issue of the D shares will be invested in accordance with the Company's existing investment policy.

The Company's investment policy is intended to provide investors with a regular and predictable source of dividend income combined with the prospects of long term capital growth. This is achieved by establishing a diversified portfolio of holdings in smaller, unquoted companies whilst at the same time selecting and structuring investments in such a way as to reduce the risks normally associated with investment in such companies. It is intended that this will be achieved as follows:

- Through investment in a number of higher risk companies with greater growth prospects in sectors such as software and computer services, and medical technology.
- This is balanced by investment in lower risk, often asset-backed investments that provide a strong income stream combined with a protection of capital. These include freehold-based businesses in the leisure sector, such as pubs and health clubs, as well as stable and profitable businesses in other sectors including business services and healthcare. Such investments will constitute the majority of investments by cost.
- In neither category do investee companies normally have any external borrowings with a prior charge ranking ahead of the VCT.
- Up to two-thirds of qualifying investments by cost comprise loan stock secured with a first charge on the investee company's assets.

Financial calendar

Annual General Meeting	12 noon 11 May 2011
Record date for first dividend	3 May 2011
Payment of first dividend	31 May 2011
Payment of second dividend subject to Board approval	30 September 2011

Financial summary

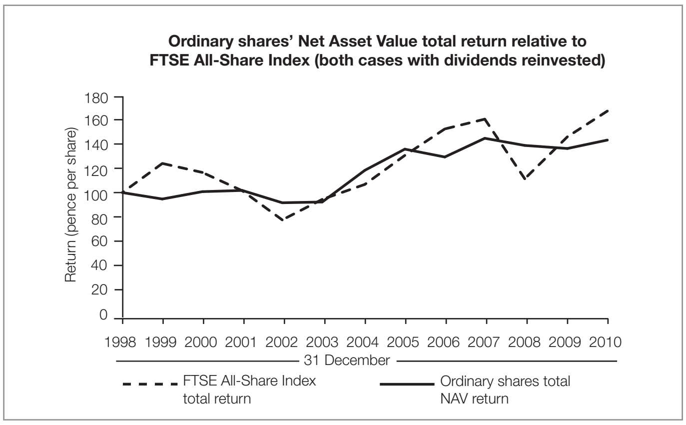
Ordinary shares

133.1p Net asset value plus dividends per Ordinary share since launch to 31 December 2010

8.0p Tax free dividend per Ordinary share paid in the year to 31 December 2010

2.5p First tax free dividend per Ordinary share declared for the year to 31 December 2011

75.4p Net asset value per Ordinary share as at 31 December 2010



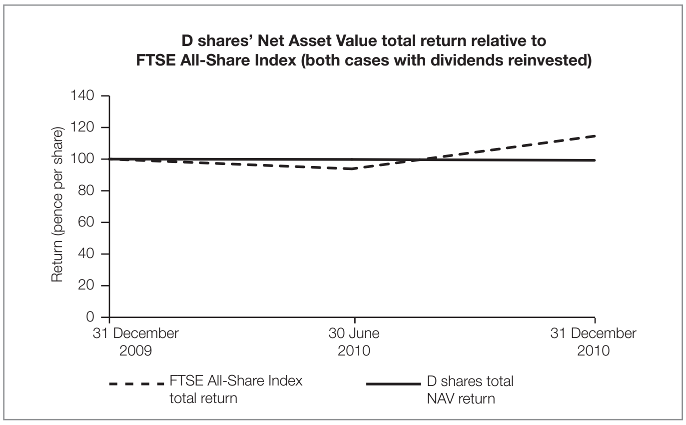
D shares

94.0p Net asset value plus dividends per D share since launch to 31 December 2010

1.0p Tax free dividend per D share paid in the year to 31 December 2010

1.25p First tax free dividend per D share declared for the year to 31 December 2011

93.0p Net asset value per D share as at 31 December 2010



Source: Albion Ventures LLP

Methodology: The net asset value return to the shareholder, including original amount invested (rebased to 100) from launch, assuming that dividends were re-invested at the net asset value of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

Financial highlights

	Ordinary shares		D shares	
	31 December 2010 pence per share	**31 December 2009 pence per share**	**31 December 2010 pence per share**	**31 December 2009 pence per share**
Dividends paid	**8.00**	4.00	**1.00**	–
Revenue return	**1.50**	2.40	**0.30**	–
Capital gain/(loss)	**2.40**	(4.10)	**(0.90)**	–
Net asset value	**75.40**	79.30	**93.00**	94.60

Total shareholder net asset value return to 31 December 2010:

	Ordinary shares 31 December 2010 pence per share(ii)	C shares 31 December 2010 pence per share(ii)	D shares 31 December 2010 pence per share(ii)
Total dividends paid during the year ended:			
31 December 1999(i)	**1.00**	**–**	**–**
31 December 2000	**2.90**	**–**	**–**
31 December 2001	**3.95**	**–**	**–**
31 December 2002	**4.20**	**–**	**–**
31 December 2003(iii)	**4.50**	**0.75**	**–**
31 December 2004	**4.00**	**2.00**	**–**
31 December 2005	**5.20**	**5.90**	**–**
31 December 2006	**3.00**	**4.50**	**–**
31 December 2007(iv)	**5.00**	**5.36**	**–**
31 December 2008	**12.00**	**12.86**	**–**
31 December 2009	**4.00**	**4.29**	**–**
31 December 2010	**8.00**	**8.58**	**1.00**
Total dividends paid to 31 December 2010	**57.75**	**44.24**	**1.00**
Net asset value as at 31 December 2010	**75.40**	**80.79**	**93.00**
Total shareholder return to 31 December 2010	**133.15**	**125.03**	**94.00**

Shareholders are reminded that the first Ordinary share dividend of 4.0 pence per share for the year to 31 December 2009 was paid in advance on 30 December 2008.

In addition to the dividends paid above, the Board has declared a first dividend for the year ending 31 December 2011, of 2.50 pence per Ordinary share and 1.25 pence per D share payable on 31 May 2011 to shareholders on the register at 3 May 2011.

Notes

(i) Assuming subscription for Ordinary shares by the First Closing on 26 January 1999.

(ii) Excludes tax benefits upon subscription.

(iii) Those subscribing for C shares after 30 June 2003 were not entitled to the interim dividend.

(iv) The C shares were converted into Ordinary shares on 31 March 2007, with a conversion of 1.0715 Ordinary shares for each C share. The net asset value per share and all dividends paid subsequent to the conversion of the C shares to the Ordinary shares are multiplied by the conversion factor of 1.0715 in respect of the C shares return, in order to give an accurate picture of the shareholder value since launch relating to the C shares.

Chairman's Statement

Introduction

The results for Albion Development VCT for the year to 31 December 2010 show a continued recovery from the low point of the depths of the UK recession, and an encouraging positive return for the Ordinary share portfolio. The Ordinary share portfolio showed a return of 3.90 pence per share while the D share portfolio, which raised £6.3 million under the Offer for Subscription which closed on 21 June 2010, showed a small negative return of 0.60 pence per share during the first full year of trading.

Investment performance and progress

The Ordinary shares benefitted both from the sale of our investment in Geronimo Inns, which realised a return of just under 25% in the 16 month holding period, and from the successful sale of the investment in RFI Global Services at a level of almost twice its previous holding value. In addition there were further improved performances from Blackbay, Mirada Medical, CS (Greenwich) and Lowcosttravelgroup. Against this was a reduction in value of Consolidated PR, Oxsensis and Chichester Holdings.

During the year, some £2.1 million was invested or committed for investment by the Ordinary share portfolio and £3.0 million by the D share portfolio. New investments included the Orchard Portman psychiatric hospital in Somerset, Masters Pharmaceuticals (which distributes "special" pharmaceuticals on a worldwide basis), TEG Biogas (Perth) (a waste food-to-energy power station in Scotland), Street-by-Street Solar (which installs solar panels on the roofs of residential houses) and Radnor House, a new independent school by the Thames at Twickenham.

Risks and uncertainties

The outlook for the UK economy continues to be the key risk affecting your Company. Although there have been indications of renewed growth, there is continuing uncertainty as to the impact on the economy of the coalition Government's public spending cuts. Importantly, however, investment risk is mitigated through a variety of processes, including our policy of ensuring that the Company has a first charge over investee companies' assets wherever possible. Meanwhile, opportunities within our target sectors continue to arise at attractive valuations, including in the healthcare and environmental sectors, which continue to be two core areas of activity.

A detailed analysis of the other risks and uncertainties facing the business is shown in the Directors' report and enhanced business review within this Annual Report and Financial Statements.

Discount management and share buy-backs

It remains the Board's policy to buy back shares in the market, subject to the overall constraint that such purchases are in the VCT's interests, including the maintenance of sufficient resources for investment in new and existing investee companies and the continued payment of dividends to shareholders. It is the Board's intention for such buy-backs to be in the region of a 10 to 15 per cent. discount to net asset value, so far as market conditions and liquidity permit.

Results and dividends

As at 31 December 2010, the net asset value of the Ordinary shares was 75.40 pence per share, and the net asset value of the D shares was 93.00 pence per share. The revenue return before taxation for the Ordinary shares was £525,000 compared to £790,000 for the previous year reflecting slower trading in some of our previously high yielding investments such as Chichester Holdings. The D shares' revenue return before taxation was £18,000.

As mentioned in the interim report, over the 12 years since launch, the Company has paid or declared an annual dividend on the Ordinary shares averaging 4.80 pence per share. Since 2008, the annual dividend has averaged 8.00 pence per share, as a result of the accumulation of substantial realised profits from the disposal of investments. As these have now been largely paid out by way of dividend, and bearing in mind the projected income generation of the portfolio, combined with available reserves and cash resources, it will be your Company's target from 2011 to return to the longer-term average and to pay out annual dividends of around 5.00 pence per share on the Ordinary share class, so far as it is able. Consequently, the Company will pay a first dividend for the financial year to 31 December 2011 of 2.50 pence per Ordinary share and 1.25 pence per D share. Dividends will be paid on 31 May 2011 to shareholders on the register on 3 May 2011.

Supporting enterprise and growth

Recent research undertaken by the Association of Investment Companies has demonstrated that VCT investment provides substantial benefits for UK small businesses and the economy in at least three ways: first, by creating jobs; second, by providing additional management skill to support growing businesses; and finally, by being cost-effective, in that the cost to the public purse is more than offset by the increased tax returns generated by the growth of VCT-backed companies. In common with other VCTs, your Board recommends that the coalition Government continues to support the VCT sector as one of the best ways to support enterprise and future economic growth.

Chairman's statement (continued)

Cancellation of share premium account
Shareholders approved the cancellation of the Company's D share premium account by way of special resolution at a General Meeting held on 28 October 2009. The share premium account amounting to £2.8 million was subsequently cancelled on 18 August 2010 by order of the High Court and the Notice regarding the cancellation was registered at Companies House on 18 August 2010. The purpose of this cancellation is to increase the distributable special reserve available for the payment of dividends, to cover gross realised losses, or for the buy-back of D shares.

Issue of D shares and the Albion VCTs Linked Top Up Offer
During the year, the Company issued 4,901,555 D shares under the Offer for Subscription for D shares, bringing to £6.3m, the total raised under the Offer, and generating net proceeds of £5.9m.

On 1 November 2010 the Company announced the launch of the Albion VCTs Linked Top Up Offer. In aggregate, the Albion VCTs will be aiming to raise approximately £13.3 million across seven of the VCTs managed by Albion Ventures LLP, of which Albion Development VCT PLC's share will be approximately £2 million.

The maximum amount raised by each of the Albion VCTs will be the lower of Euros 2.5 million, and 10 per cent. of its issued share capital (over any one 12 month period, and including any shares issued under Dividend Reinvestment Schemes), being the amount that they may issue under the Prospectus Rules without the publication of a full prospectus. The proceeds of the Offer will be used to provide further resources to the Albion VCTs at a time when a number of attractive new investment opportunities are being seen. An Investor Guide and Offer document was sent to shareholders and can be obtained from www.albion-ventures.co.uk.

On 7 January 2011, the Company issued 816,370 Ordinary shares at 80.10 pence per share under the Offer. A further 811,163 Ordinary shares were allotted on 22 March 2011 at a price of 80.10 pence per share. Further details are shown in note 22.

Dividend reinvestment scheme for D shares
Enclosed with this report sent to D shareholders is an explanatory circular and a form allowing you to participate in the D shares dividend reinvestment scheme whereby you may receive dividends in the form of new D shares, which are eligible for up-front income relief. Additional copies of this circular and form can be found on the Company's website at www.albion-ventures.co.uk. Our funds, Albion Development VCT PLC.

Outlook and prospects
The outlook for the UK economy remains uncertain. In particular, the full impact of the public sector cuts on the wider economy has not yet been fully felt. To mitigate this, a number of investee companies in the technology portion of the portfolio operate in international markets and some in fast growing developing countries. A significant number of our companies have special assets or business capabilities, and we believe that, over the longer term, they will provide strong returns for shareholders.

There is a view that interest rates will remain low in the short term, which will continue to depress income from cash deposits. With this in mind, the Company is looking to expand further its portfolio of asset-based income producing investments where we have seen an improvement in the pipeline at attractive prices across a range of industries, with particular emphasis on the healthcare and environmental sectors.

Geoffrey Vero
Chairman
5 April 2011

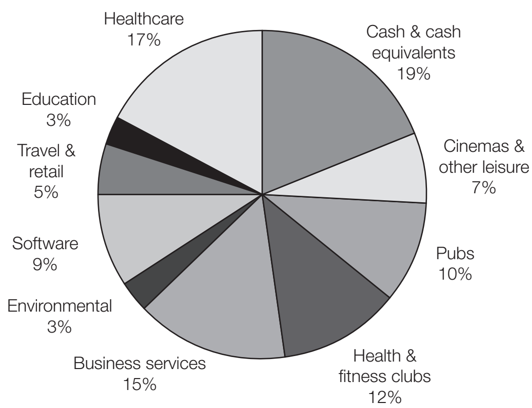
Manager's report

The sector analysis of Albion Development VCT PLC's investment portfolio as at 31 December 2010 is shown below. By valuation, the asset-backed element of the portfolio now accounts for 49 per cent. of the Ordinary shares' net asset value and 23 per cent. of the D shares' net asset value, while the growth portfolio accounts for 32 per cent. of the Ordinary shares and 7 per cent. of the D shares, with cash and liquid resources and other net current assets providing the balance.

In the Ordinary share portfolio, the healthcare element now accounts for 17 per cent. (2009: 20 per cent. including Mears Group plc, most of which had been sold during 2010), while the environmental and renewable portion is now 3 per cent., up from 2 per cent. For the D shares, the proportions are 7 per cent. for each of the healthcare and environmental sectors.

Ordinary share portfolio

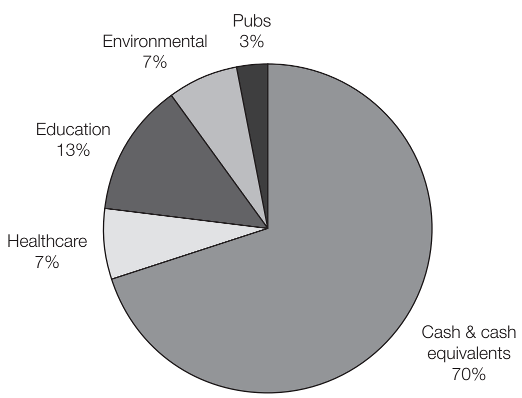
The following is the sector split of the Ordinary share portfolio by valuation as at 31 December 2010:



Source: Albion Ventures LLP

D share portfolio

The following is the sector split of the D share portfolio by valuation as at 31 December 2010:



Source: Albion Ventures LLP

Portfolio review

As mentioned in the Chairman's statement, a number of companies within the growth portfolio have begun to perform strongly. In addition to those detailed in the Chairman's statement, it is worth mentioning improved prospects for Dexela, memsstar (formerly Point 35 Microstructures), and Helveta. Against this, continued difficult markets led to the restructuring of Rostima. The effects of the Government cut-backs, meanwhile, have so far only been seen in Consolidated PR, where a marked reduction in the State's spending on public relations has led to a fall in revenue, though the company remains profitable.

In our asset-backed portfolio, cinemas have performed particularly well, while profitability continued to climb at our health and fitness clubs leading to a write-up in value of the Kensington Health Club. The Charnwood Pub Company, which operates food-led pubs in central England, saw a reduction in value as its core customer base struggled in a difficult economic climate, while Chichester Holdings' markets have also suffered.

Realisations

The successful sale of RFI Global Services realised proceeds of £927,000 against cost of £561,000 and a value as at 31 December 2009 of £479,000. The sale of Geronimo Inns generated proceeds of £1.1 million, in addition to annual income of 8%, against a cost of £960,000.

In addition, the Company sold the majority of its holding in Mears Group plc for proceeds of £1.1 million. The balance of this holding was sold after the year end.

New investments

Two new healthcare investments were made during the year in Orchard Portman Hospital, a freehold psychiatric hospital based in Somerset, and Masters Pharmaceuticals. The broader healthcare sector remains a core area for concentration going forwards as we believe that the sector, at all stages of technology and service, offers growth opportunities over the years to come, despite the undoubted adverse effect of the impending spending cuts. In addition, your Company has made its first renewable energy investments. TEG Biogas (Perth) is constructing a waste-food-to-energy plant in Scotland, which will become operational in 2011. We have also made an investment in the solar energy sector through Street-by-Street Solar, which installs and owns PV panels on residential buildings in the Thames Valley. In general, the environmental sector is also set to be an important area for concentration, with a portfolio weighting of up to 15 per cent., as, like healthcare, we see that it has strong, longer term growth prospects.

The pipeline of potential new investments is strong; subsequent to the year end, the Company has invested in a second psychiatric treatment centre. In addition, terms have been agreed with a number of renewable energy projects in the anaerobic digestion, hydroelectricity and wind sectors.

Albion Ventures LLP

Manager

5 April 2011

The Board of Directors

The following are the Directors of the Company, all of whom operate in a non-executive capacity.

Geoffrey Vero (Chairman) (64), FCA (appointed 2 July 2007), has spent much of his career in venture capital, serving as a director of Causeway Capital Limited and ABN Amro Private Equity (UK) Limited which invested in small and medium sized unquoted businesses. He is a non-executive director of Numis Corporation Plc, and non-executive Chairman of EPE Special Opportunities Plc.

David Pinckney (Chairman of the Audit Committee) (70), FCA, MA (appointed 8 December 1998), was with Peat Marwick Mitchell & Co. (now KPMG) in London from 1963 to 1968, and from 1969 to 1983 in France. He became a partner in 1975 and senior audit partner in 1978. He was then managing director of Wrightson Wood Financial Services Limited, where his work involved the provision of advice to companies seeking venture capital. In 1987 he joined Thornton Management Limited, an international equity fund management group with a proportion of funds invested in smaller unquoted companies, first as group finance director and subsequently as joint managing director. From 1998 he was chief operating officer – Far East, and then vice chairman, of AXA Investment Managers, the investment management arm of the AXA Group until he retired in December 2003. He is chairman of Rutley European Property Limited, and Ventus VCT PLC.

Jonathan Thornton (64), MA, MBA, FCA (appointed 8 December 1998), has extensive experience in the management of unquoted investments. He was a director of Close Brothers Group plc from 1984 to 1998 and was responsible for establishing Close Brothers Private Equity LLP, the private equity fund management arm of Close Brothers Group plc. Prior to this he worked for 3i plc and Cinven (two of the largest UK investors in unquoted companies). Over the past 25 years he has been a non-executive director of a number of smaller unquoted companies which have raised institutional capital and he is a member of the Albion Ventures LLP Investment Committee.

Andrew Phillipps (42), PhD, MBA (appointed 30 October 2007). Andy co-founded Active Hotels, an online hotels reservation business, in 1999. As Chief Executive, he grew the business to become a European market leader, before selling it to Priceline Inc. for $161 million in 2004. He was retained to run Priceline's international operations until 2006. He subsequently bought into, and was chairman of the online restaurant booking company, Toptable, which was successfully sold to Opentable in Q4 2010 for $55 million. He is currently an active investor and director of a number of private companies, including i2o Water and Reevoo.com. He also lectures in entrepreneurship at INSEAD and LBS.

The Manager

Albion Ventures LLP, is authorised and regulated by the Financial Services Authority and is the Manager of Albion Development VCT PLC. In addition to Albion Development VCT PLC, it manages a further eight venture capital trusts, and has currently total funds under management of approximately £230 million. Albion was awarded "VCT Manager of the Year" at the "Unquote" British Private Equity Awards 2009 and "VCT of the Year" for Albion Development VCT PLC at the 2009 Investor AllStar Awards.

The following are specifically responsible for the management and administration of the VCTs managed by Albion Ventures LLP, including Albion Development VCT PLC.

Patrick Reeve, (50), MA, qualified as a chartered accountant with Deloitte Haskins & Sells before joining Cazenove & Co where he spent three years in the corporate finance department. He joined Close Brothers Group plc in 1989, initially in the development capital subsidiary, where he was a director specialising in the financing of smaller unquoted companies. He joined the corporate finance division in 1991, where he was also a director. He established Albion Ventures LLP (formerly Close Ventures Limited) with the launch of Albion Venture Capital Trust PLC in the spring of 1996.

Isabel Dolan, (46), BSc (Hons), ACA, MBA, is Operations Partner of Albion Ventures LLP having previously been finance director for a number of unquoted companies. From 1993-1997 she was head of recoveries at the Specialised Lending Services department of the Royal Bank of Scotland plc and from 1997-2001 she was at 3i plc, latterly as a portfolio director. She joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Dr Andrew Elder, (40), MA, FRCS. After qualifying as a surgeon he practised for six years, specialising in neurosurgery before joining the Boston Consulting Group as a consultant in 2001, specialising in healthcare strategy. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Will Fraser-Allen, (40), BA (Hons), ACA, qualified as a chartered accountant with Cooper Lancaster Brewers in 1996 before specialising in corporate finance and investigation. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2001.

Emil Gigov, (41), BA (Hons), ACA, qualified as a chartered accountant with KPMG in 1997 and subsequently worked in KPMG's corporate finance division working on the media, marketing and leisure sectors. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2000.

David Gudgin, (38), BSc (Hons), ACMA, after working for ICL from 1993 to 1999 where he qualified as an accountant, he joined 3i plc as an investment manager based in London and Amsterdam. In 2002 he joined Foursome Investments, the venture capital arm of the Englehorn family, responsible for investing an evergreen fund of US$80 million. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2004.

Ed Lascelles, (35), BA (Hons), joined the corporate broking department of Charterhouse Securities in 1998 focusing on primary and secondary equity fundraisings. He then moved to the corporate finance department of ING Barings in 2000, retaining his focus on smaller UK companies. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2004.

Henry Stanford, (45), MA, ACA, qualified as a chartered accountant with Arthur Andersen before joining the corporate finance division of Close Brothers Group plc in 1992. He became an assistant director in 1996 and transferred to Albion Ventures LLP (formerly Close Ventures Limited) in 1998 to concentrate on VCT investment.

Robert Whitby-Smith, (36), BA (Hons), MSI, ACA, qualified as a chartered accountant with KPMG in their corporate finance division. From 2000 to early 2005 he worked in the UK corporate finance departments of Credit Suisse First Boston and subsequently ING Barings, where he was a vice president. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2005.

Michael Kaplan, (34), BA, MBA. After graduating from the University of Washington in 1999 with a BA in International Finance, he joined Marakon Associates as an Analyst. In 2000, he became the chief financial officer of Widevine Technologies, a security software company based in Seattle. After graduation with his MBA from INSEAD, in 2004 he joined the Boston Consulting Group focusing on the retail and financial services industries. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2007.

Marco Yu (33), MPhil, MA, MRICS, qualified as a chartered surveyor in 2004. From 2002 to 2005, he worked at Bouygues (UK), developing cost management systems for PFI schemes, before moving to EC Harris in 2005, where he advised senior lenders on large capital projects. He joined Albion Ventures LLP (formerly Close Ventures Limited) in 2007.

Portfolio of investments

Ordinary shares

The following is a summary of the qualifying fixed asset investments as at 31 December 2010:

			As at 31 December 2010			As at 31 December 2009			
Investee company	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	Change in value for the year** £'000
Asset-backed investments									
Evolutions Television Limited	23.7	49.9	**4,255**	**(1,652)**	**2,603**	4,255	(2,005)	2,250	**353**
The Weybridge Club Limited	9.4	50.0	**1,520**	**(189)**	**1,331**	1,520	(157)	1,363	**(32)**
CS (Greenwich) Limited	15.5	50.0	**876**	**(9)**	**867**	929	(143)	786	**134**
Kensington Health Clubs Limited	4.9	50.0	**1,124**	**(349)**	**775**	1,124	(473)	651	**124**
Taunton Hospital Limited	9.1	50.0	**576**	**6**	**582**	675	–	675	**6**
Bravo Inns II Limited	4.5	50.0	**560**	**(26)**	**534**	480	(27)	453	**1**
Tower Bridge Health Clubs Limited	7.9	50.0	**494**	**29**	**523**	494	(42)	452	**71**
The Q Garden Company Limited	16.6	50.0	**1,198**	**(701)**	**497**	1,198	(715)	483	**14**
The Charnwood Pub Company Limited	3.3	50.0	**1,156**	**(695)**	**461**	1,156	(623)	533	**(72)**
CS (Brixton) Limited	8.4	50.0	**356**	**104**	**460**	356	20	376	**84**
Radnor House School Limited	4.2	50.0	**200**	**2**	**202**	–	–	–	**2**
GB Pub Company VCT Limited	9.1	50.0	**366**	**(225)**	**141**	361	(227)	134	**2**
Bravo Inns Limited	2.6	50.0	**230**	**(104)**	**126**	230	(107)	123	**3**
Premier Leisure (Suffolk) Limited	6.5	50.0	**480**	**(359)**	**121**	480	(356)	124	**(3)**
CS (Exeter) Limited	8.3	50.0	**135**	**(37)**	**98**	135	(13)	122	**(24)**
The Dunedin Pub Company VCT Limited	6.2	50.0	**71**	**–**	**71**	317	(144)	173	**(1)**
TEG Biogas (Perth) Limited	6.1	50.0	**55**	**–**	**55**	–	–	–	**–**
CS (Norwich) Limited	3.1	50.0	**50**	**(5)**	**45**	50	(16)	34	**11**
CS (Liverpool) Limited	4.6	50.0	**56**	**(11)**	**44**	61	(15)	46	**2**
The Street by Street Solar Programme Limited	3.5	50.0	**28**	**–**	**28**	–	–	–	**–**
Total asset-backed investments			**13,786**	**(4,221)**	**9,563**	13,821	(5,043)	8,778	**678**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

Portfolio of investments (continued)

Ordinary shares (continued)

Investee company	% voting rights	% voting rights of AVL* managed companies	As at 31 December 2010 Cost £'000	As at 31 December 2010 Cumulative movement in value £'000	As at 31 December 2010 Total value £'000	As at 31 December 2009 Cost £'000	As at 31 December 2009 Cumulative movement in value £'000	As at 31 December 2009 Total value £'000	Change in value for the year** £'000
Growth investments									
Blackbay Limited	7.4	34.9	**764**	**447**	**1,211**	764	283	1,047	**164**
Peakdale Molecular Limited	8.8	14.9	**1,047**	**(161)**	**886**	1,297	(143)	1,154	**(18)**
Lowcosttravelgroup Limited	4.0	26.0	**435**	**154**	**589**	435	3	438	**151**
Prime Care Holdings Limited	9.4	49.9	**516**	**49**	**565**	386	22	408	**27**
Mi-Pay Limited	4.6	43.7	**459**	**(23)**	**436**	310	(67)	243	**44**
Consolidated PR Limited	11.8	23.6	**558**	**(135)**	**423**	625	32	657	**(167)**
Dexela Limited	5.6	34.8	**415**	**8**	**423**	415	8	423	**–**
Mirada Medical Limited	7.2	45.0	**240**	**144**	**384**	240	35	275	**109**
Helveta Limited	2.6	20.8	**364**	**–**	**364**	364	13	377	**(13)**
DySIS Medical Limited	2.6	18.4	**350**	**(40)**	**310**	210	–	210	**(40)**
Xceleron Limited	3.9	45.1	**414**	**(136)**	**278**	379	(45)	334	**(91)**
Mears Group Plc***	0.1	0.1	**284**	**(43)**	**241**	1,600	(330)	1,270	**37**
Masters Pharmaceuticals Limited	1.0	17.1	**160**	**2**	**162**	–	–	–	**2**
memsstar Limited (formerly Point 35 Microstructures Limited)	1.6	28.1	**124**	**–**	**124**	124	(33)	91	**33**
Opta Sports Data Limited	1.3	14.0	**140**	**(25)**	**115**	140	12	152	**(37)**
Chichester Holdings Limited	10.6	50.0	**700**	**(589)**	**111**	700	(414)	286	**(175)**
Oxsensis Limited	1.4	20.7	**192**	**(83)**	**109**	145	(46)	99	**(37)**
Rostima Holdings Limited	4.8	39.3	**93**	**–**	**94**	350	(216)	134	**–**
Process Systems Enterprise Limited	1.0	16.0	**95**	**(18)**	**77**	95	(49)	46	**31**
Green Energy Property Services Limited	2.8	23.4	**34**	**(17)**	**17**	77	4	81	**(64)**
Total growth investments			**7,384**	**(469)**	**6,917**	8,656	(931)	7,725	**(44)**
Total qualifying investments			**21,170**	**(4,690)**	**16,480**	22,477	(5,974)	16,503	**634**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

*** Main market quoted investment

Portfolio of investments (continued)

Ordinary shares (continued)

The following is a summary of non-qualifying fixed asset investments as at 31 December 2010:

			As at 31 December 2010			As at 31 December 2009			
Investee company	**% voting rights**	**% voting rights of AVL* managed companies**	**Cost £'000**	**Cumulative movement in value £'000**	**Total value £'000**	**Cost £'000**	**Cumulative movement in value £'000**	**Total value £'000**	**Change in value for the year** £'000**
Non-qualifying investments									
Albion Investment Properties Limited (formerly Smiles Pub Company Limited)	48.4	100	**928**	**(134)**	**794**	928	(170)	758	**36**
Radnor House School Limited	n/a	n/a	**520**	**12**	**532**	–	–	–	**12**
Consolidated PR Limited	n/a	n/a	**34**	**13**	**47**	34	45	79	**(32)**
Total non-qualifying investments			**1,482**	**(109)**	**1,373**	962	(125)	837	**16**
Total fixed asset investments			**22,652**	**(4,799)**	**17,853**	23,439	(6,099)	17,340	**650**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

Realisations in the year to 31 December 2010	**Cost £'000**	**Opening carrying value £'000**	**Disposal proceeds £'000**	**Realised gain/(loss) £'000**	**Gain/(loss) on opening value £'000**
RFI Global Services Limited	561	479	927	366	**448**
Geronimo Inns VCT I Limited and Geronimo Inns VCT II Limited	960	1,014	1,083	123	**83**
River Bourne Health Club Limited	8	8	12	4	**4**
Peakdale Molecular Limited	250	250	250	–	**–**
Consolidated PR Limited	67	67	67	–	**–**
CS (Greenwich) Limited	53	53	53	–	**–**
CS (Liverpool) Limited	5	5	5	–	**–**
Green Energy Property Services Limited (restructuring)	43	43	–	(43)	**(47)**
The Dunedin Pub Company VCT Limited	246	102	102	(144)	**–**
Mears Group Plc	1,317	1,045	1,066	(251)	**21**
Rostima Limited (restructuring)	351	134	–	(351)	**(123)**
Total	**3,861**	**320**	**3,564**	**(296)**	**386**

Portfolio of investments (continued)

D shares

The following is a summary of the qualifying fixed asset investments as at 31 December 2010:

			As at 31 December 2010			As at 31 December 2009			
Investee company	% voting rights	% voting rights of AVL* managed companies	Cost £'000	Cumulative movement in value £'000	Total value £'000	Cost £'000	Cumulative movement in value £'000	Total value £'000	Change in value for the year** £'000
Asset-backed investments									
Radnor House School Limited	4.6	50.0	**801**	**15**	**816**	–	–	–	**15**
TEG Biogas (Perth) Limited	14.3	50.0	**328**	**–**	**328**	–	–	–	**–**
Bravo Inns II Limited	1.5	50.0	**160**	**–**	**160**	–	–	–	**–**
The Street by Street Solar Programme Limited	9.5	50.0	**76**	**–**	**76**	–	–	–	**–**
Total asset-backed investments			**1,365**	**15**	**1,380**	–	–	–	**15**
Growth investments									
Masters Pharmaceuticals Limited	2.6	17.1	**400**	**6**	**406**	–	–	–	**6**
Total growth investments			**400**	**6**	**406**	–	–	–	**6**
Total qualifying investments			**1,765**	**21**	**1,786**	–	–	–	**21**

* Albion Ventures LLP

** as adjusted for additions and disposals during the year

Portfolio companies

The top ten qualifying investments held by the Company, by total aggregate value of equity and loan stock are as shown below.

Evolutions Television Limited

The company is a television post production business providing services, including video and sound editing and automation, to a broad range of production companies. It operates from a freehold building in Oxford Street, London and two leasehold premises nearby.

	Audited results year to 30 June 2010 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	8,345	Income recognised in the year	–	–
Loss before interest	(459)	Total cost	4,255	–
Net liabilities	(380)	Total valuation	2,603	–
Basis of valuation:	Net asset value supported by third party valuation of freehold property	Voting rights	23.7 per cent.	–

Website: www.evolutions.tv

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 49.9 per cent.

Radnor House School Limited

Radnor House is London's new co-educational independent day school in Twickenham, opening in September 2011. It is located in historic buildings on the banks of the River Thames in South West London. Students are currently being admitted into the Preparatory and the Senior School.

		Investment information	Ordinary shares £'000	D shares £'000
The company was incorporated on 5 August 2010		Income recognised in the year	5	6
and has not yet filed accounts at Companies House.		Total cost	719	800
Basis of valuation:	Cost	Total valuation (including non-qualifying holding)	733	815
Website: www.radnorhouse.org		Voting rights	4.2 per cent.	4.6 per cent.

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

The Weybridge Club Limited

The company owns a 30 acre freehold site near to the centre of Weybridge in Surrey, which has been developed into a premium health and fitness club. The club opened in May 2007 and membership is now approaching 3,000 members.

	Audited results year to 31 August 2009 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	1,612	Income recognised in the year	44	–
Loss before interest	(22)	Total cost	1,520	–
Net liabilities	(358)	Total valuation	1,331	–
Basis of valuation:	Net asset value supported by third party valuation	Voting rights	9.4 per cent.	–

Website: www.theweybridgeclub.com

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

Blackbay Limited

The company provides enterprise mobility solutions mainly for the postal logistics and field service sectors.

	Audited results year to 31 December 2009 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	6,199	Income recognised in the year	103	–
Profit before interest	726	Total cost	764	–
Net liabilities	(1,705)	Total valuation	1,211	–
Basis of valuation:	Earnings multiple	Voting rights	7.4 per cent.	–

Website: www.blackbay.com

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 34.9 per cent.

Peakdale Molecular Limited

The company is principally involved in the research, processing and supply of chemical compounds to the major pharmaceutical companies. It operates from a substantial freehold site in Chapel-en-le-Frith, Derbyshire.

	Audited results year to 31 March 2010 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	7,524	Income recognised in the year	37	–
Profit before interest	261	Total cost	1,047	–
Net assets	4,539	Total valuation	886	–
Basis of valuation:	Earnings multiple	Voting rights	8.8 per cent	–

Website: www.peakdale.co.uk

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 14.9 per cent.

Portfolio companies (continued)

CS (Greenwich Limited)

This company operates the five screen Picture House cinema in Greenwich.

	Audited results year to 31 December 2009 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	2,172	Income recognised in the year	90	–
Profit before interest	700	Total cost	876	–
Net assets	616	Total valuation	867	–
Basis of valuation:	Net asset value supported by third party valuation	Voting rights	15.5 per cent.	–

Website: www.picturehouses.co.uk

Funds managed and advised by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

Kensington Health Clubs Limited

This company has developed a 29,000 square foot health and fitness club on a 999 year lease in West London which opened in December 2007.

	Audited results year to 30 September 2009 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	2,037	Income recognised in the year	53	–
Profit before interest	30	Total cost	1,124	–
Net assets	1,688	Total valuation	775	–
Basis of valuation:	Net asset value supported by independent desk top review	Voting rights	4.9 per cent.	–

Website: www.thirtysevendegrees.co.uk/olympia

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

Bravo Inns II Limited

The company was formed in September 2007 and owns and operates 17 freehold pubs in the North of England. The pubs are trading well with considerable demand for the value offering.

	Audited results year to 31 March 2010 £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	3,167	Income recognised in the year	42	–
Loss before interest	(4)	Total cost	560	160
Net assets	1,623	Total valuation	534	160
Basis of valuation:	Net asset value supported by third party valuation	Voting rights	4.5 per cent.	1.5 per cent.

Website: www.bravoinns.com

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

Lowcosttravelgroup Limited

The company is an online travel company specialising in beach holidays and the provision of hotel transfers. The company has seen significant growth in bookings and has made a number of small bolt on acquisitions.

	Audited results year to 31 October 2009 £'000	Investment information	Ordinary shares £'000	D shares £'000
Total transaction value	108,974			
Turnover	18,999	Income recognised in the year	9	–
Profit before interest	614	Total cost	435	–
Net assets	2,214	Total valuation	589	–
Basis of valuation:	Earnings multiple	Voting rights	4.0 per cent.	–

Website: www.lowcosttravelgroup.com

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 26.0 per cent.

Taunton Hospital Limited

Taunton Hospital is a specialist psychiatric health operator in southern England.

	Unaudited results year to 29 April 2010 (abbreviated accounts) £'000	Investment information	Ordinary shares £'000	D shares £'000
Turnover	–	Income recognised in the year	27	–
Loss before interest	(129)	Total cost	576	–
Net assets	528	Total valuation	582	–
Basis of valuation:	Cost	Voting rights	9.1 per cent.	–

Website: www.orchardportman.com

Funds managed by Albion Ventures LLP have invested in this company and their combined equity holding in the company is 50.0 per cent.

Net assets of an investee company where a recent third party valuation has taken place, may have a higher valuation in Albion Development VCT PLC accounts than in its own, where the investee company does not have a policy of revaluing its fixed assets.

Directors' report and enhanced business review

The Directors submit their Annual Report and the audited Financial Statements on the affairs of Albion Development VCT PLC (the "Company") for the year ended 31 December 2010.

BUSINESS REVIEW

Principal activity and status

The principal activity of the Company is that of a venture capital trust. It has been approved by H.M. Revenue & Customs ('HMRC') as a venture capital trust in accordance with Part 6 of the Income Tax Act 2007 and in the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 31 December 2010 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

The Company is not a close company for taxation purposes and its shares are listed on The London Stock Exchange.

Under current tax legislation, shares in the Company provide tax-free capital growth and income distribution, in addition to the income tax relief which some investors would have obtained when they invested in the original share offer.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 15.

During the year a total of 4,901,555 D shares with a nominal value of 50 pence per share were issued at a price of 100 pence per share under the Offer for Subscription dated 1 October 2009. Further details are show in note 15.

On 1 November 2010, the Company announced the launch of the Albion VCTs Linked Top Up Offer in conjunction with six other VCTs managed by Albion Ventures LLP. The Company held a General Meeting on 8 December 2010 at which special resolutions were passed to facilitate this Offer. Since the year end, a total of 1,627,533 new Ordinary shares have been issued as part of this Offer. Further details are shown in note 22.

The Company currently operates a Dividend Reinvestment Scheme for Ordinary shares, details of which can be found on www.albion-ventures.co.uk under the 'Our Funds' section. During the year, the Company issued 210,457 new Ordinary shares under the Dividend Reinvestment Scheme. Further details are shown in note 15.

The Company's share capital comprises Ordinary shares and D shares. As at 31 March 2011, Ordinary shares represented 83 per cent. of the total voting rights and D shares 17 per cent. of the total voting rights.

The Ordinary shares and D shares, are designed for individuals who are professionally advised private investors, seeking, over the long term, investment exposure to a diversified portfolio of unquoted investments. The investments are spread over a number of sectors, to produce a regular and predictable source of income, combined with the prospect of longer term capital growth.

Both Ordinary shares and D shares currently rank *pari passu* for voting rights, save in respect of specific resolutions impacting their class, such as in the case of a reconstruction. Each Ordinary share and D share is entitled to one vote.

Ordinary and D shareholders are entitled to receive dividends paid out of the reserves attributable to their respective class of shares. Ordinary and D shareholders are entitled to the return on capital on winding up or other return on capital based on the surpluses attributable to their respective class of shares.

The Articles of the Company provide for the conversion of D shares into Ordinary shares in a ratio determined by the net asset values of each class.

Substantial interests and shareholder profile

As at 31 December 2010 and at the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent. of the issued share capital, and there have been no disclosures in accordance with Disclosure and Transparency Rule 5 made to the Company during the year ended 31 December 2010, and to the date of this report.

The shareholder profile of the Company (excluding treasury shares) as at 31 March 2011 is as follows:

Ordinary shares

Number of shares held	**% shareholders**	**% share capital**
1 – 10,000	56.8	16.3
10,001 – 50,000	36.4	46.6
50,001 – 100,000	4.2	17.5
100,001 – 500,000	2.2	17.8
500,001 – 1,000,000	0.4	1.8

Directors' report and enhanced business review (continued)

D shares

Number of shares held	% shareholders	% share capital
1 – 10,000	40.4	11.4
10,001 – 50,000	51.0	52.9
50,001 – 100,000	6.3	19.4
100,001 – 500,000	2.3	16.3

The Board welcomes the views of shareholders and has actively sought shareholder opinion during the year. Questionnaires were sent to the shareholders of all of the Albion VCTs. Of these shareholders, 72 per cent. were satisfied or very satisfied with their returns, 47 per cent. intended to hold their shares indefinitely. Dividend yield was ranked as the most common feature that investors were looking for in a Venture Capital Trust. A total of 64 per cent. of shareholders who responded would consider investing in future offerings from Albion Ventures. The Board wishes to thank shareholders who took part in the survey and will bear in mind the findings in their development of the Company's strategy.

Investment policy

The Company's investment strategy is to provide investors with a regular and predictable source of dividend income combined with the prospect of long term capital growth through allowing investors the opportunity to participate in a balanced portfolio of lower risk, asset-backed investments that provide a strong income stream, combined with investment in a smaller number of higher risk companies with greater growth prospects. In neither category would investee companies normally have any external borrowing with a charge ranking ahead of the Company. Up to two-thirds of qualifying investments by cost will comprise loan stock secured with a first charge on the investee company's assets.

Funds held pending investment or for liquidity purposes will be held as cash on deposit or in floating rate notes or similar instruments with banks or other financial institutions with a Moody's rating of A or above.

Venture Capital Trust status

In addition to the investment policy described above, the HMRC rules drive the Company's investment allocation and risk diversification policies. In order to maintain status under Venture Capital Trust legislation, the following tests must be met:

(1) The Company's income must be derived wholly or mainly from shares and securities;

(2) At least 70 per cent. of the value of its investments must have been represented throughout the year by shares or securities that are classified as 'qualifying holdings';

(3) At least 30 per cent. by value of its total qualifying holdings must have been represented throughout the year by holdings of 'eligible shares';

(4) At no time in the year must the Company's holdings in any one company (other than another VCT) have exceeded 15 per cent. by value of its investments;

(5) The Company must not have retained greater than 15 per cent. of its income earned in the year from shares and securities;

(6) Eligible shares must comprise at least 10 per cent. by value of the total of the shares and securities that the Company holds in any one investee company; and

(7) The Company's shares, throughout the year must have been listed in the Official List of the Stock Exchange.

These tests drive a spread of investment risk through disallowing holdings of more than 15 per cent. in any investee company. The tests have been carried out and independently reviewed for the year ended 31 December 2010. The Company has complied with all tests and continues to do so.

'Qualifying Holdings' for Albion Development VCT PLC include shares or securities (including loans with a five year or greater maturity period) in companies which operate a 'qualifying trade' wholly or mainly in the United Kingdom. 'Qualifying trade' excludes, amongst other sectors, dealing in property or shares and securities, insurance, banking, agriculture, and operating or managing hotels or residential care homes. The Company may not control an investee company.

For the Ordinary share portfolio, the gross assets of an investee company must not exceed £15 million immediately prior to the investment and £16 million immediately thereafter and there is an annual investment limit of £1 million in each company.

For the D share Portfolio, the following additional restrictions on investment will apply;

- an investee company's gross assets must not exceed £7 million immediately prior to the investment and £8 million immediately thereafter;

Directors' report and enhanced business review (continued)

- new investee companies may only raise a maximum of £2 million in any 12 month period from funds sourced from VCTs, Enterprise Investment Schemes or Corporate Venturing Schemes which raised funds subsequent to 5 April 2007; and
- investee companies must have fewer than the equivalent of 50 full-time employees at the time of investment.

Those investments which are permitted for both classes of share will be allocated between them in the ratio of funds available for investment.

Gearing
As defined by the Articles of Association, the Company's maximum exposure in relation to gearing is restricted to 10 per cent. of the adjusted share capital and reserves. As at 31 December 2010, the Company's maximum exposure was £2,791,000 (2009: £2,488,000) and its actual short term and long term gearing at this date was £nil (2009: £nil). The Directors do not currently have any intention to utilise long term gearing.

Current portfolio sector allocation
The pie chart on page 8 of the Manager's report shows the split of the portfolio valuation by industrial or commercial sector as at 31 December 2010. Details of the principal investments made by the Company are shown in the Portfolio of investments section on page 11.

Review of business and future changes
A detailed review of the Company's business during the year and future prospects is contained in the Chairman's Statement on page 6 and Manager's report on page 8. Details of significant events which have occurred since the end of the financial year are listed in note 22 and the Manager's report. Details of related party transactions are shown in note 23.

With the exception of the additional capital raised by the Albion VCTs Linked Top Up Offer and the dividend reinvestment scheme, the Directors do not foresee any major changes in the activity undertaken by the Company in 2011. The Company continues with its objective to invest in unquoted companies throughout the United Kingdom with a view to providing both capital growth and a reliable dividend income to shareholders over the long term.

Operational arrangements
The Company has delegated the investment management of the portfolio to Albion Ventures LLP, which is authorised and regulated by the Financial Services Authority. Albion Ventures LLP also provides company secretarial and other accounting and administrative support to the Company. Further details regarding the terms of engagement of the Manager are shown on page 22.

Results and dividends

	Ordinary shares £'000	D shares £'000	Combined £'000
Net revenue return for the year ended 31 December 2010	447	14	461
Revenue dividends paid	(64)	–	(64)
Transferred to revenue reserve	383	14	397
Net capital gain/(loss) for the year ended 31 December 2010	706	(44)	662
Capital dividend paid	(2,291)	(65)	(2,356)
Transferred from realised, unrealised capital reserve and special reserves	(1,585)	(109)	(1,694)
Net assets as at 31 December 2010	22,020	5,898	27,918
Net asset value per share as at 31 December 2010 (pence)	75.40	93.00	

The Company paid a dividend of 8.00 pence per Ordinary share and 1 penny per D share during the year.

As shown in the Ordinary shares' Income statement on page 33, the total investment income has fallen to £835,000 (2009: £1,077,000) due to lower revenue returns on loan stock investments. The Company's total revenue return to equity holders has fallen to £447,000 (2009: £702,000) due to the lower investment income.

The Ordinary shares' total capital return for the year was a profit of £706,000 (2009: loss of £1,216,000) which was mainly attributable to gains on investments .

The Ordinary shares' total return per share was a profit of 3.90 pence per share (2009: loss 1.70 pence per share).

The D shares' first full year of trading showed income of £89,000 mainly comprising interest from cash on deposit.

D shares' capital return was a loss of £44,000 reflecting the capitalisation of management fees for the year.

Directors' report and enhanced business review (continued)

Total return for D shares was a loss of 0.60 pence per share.

The Ordinary shares' Balance sheet on page 35 shows that the net asset value per share has decreased over the last year to 75.40 pence per share (2009: 79.30 pence per share). The fall in net asset value can be attributed to the trading factors described above, as well as the payment of the dividend of 8.00 pence per Ordinary share during the year.

The D shares' Balance sheet on page 36 shows a net asset value of 93.00 pence per share (2009: 94.60 pence per share) which represents the opening net asset value of shares issued under the fundraising, less the small trading loss and the dividend of 1 penny per share paid during the year.

Cash flow for the Ordinary shares was negative for the year, with net proceeds from the disposal of investments being offset by the payment of dividends and the buy-back of shares.

The cash flow for the D shares was positive for the year comprising the net receipts from new subscriptions, less new investments made, costs and dividends paid during the year.

Key performance indicators

The graph on page 4 shows Albion Development VCT PLC's net asset value total return against the FTSE All-Share Index total return, in both instances with dividends reinvested. Details on the performance of the net asset value and return per share for the year are shown above.

The total expense ratio for the Company was 3.0 per cent. for the year to 31 December 2010 (2009: 2.9 per cent. excluding the VAT refund on management fees).

The Company continues to comply with HMRC rules in order to maintain its status under Venture Capital Trust legislation as highlighted on page 18.

Share buy-backs

The Company operates a policy of buying back shares either for cancellation or for holding in treasury. Details regarding the current discount policy can be found on page 6 of the Chairman's statement.

In the Directors' view, there are no other non-financial performance indicators materially relevant to the business.

Principal risks and uncertainties

In addition to the current economic risks outlined in the Chairman's statement, the Board considers that the Company faces the following major risks and uncertainties:

1. *Investment risk*

   This is the risk of investment in poor quality assets which reduces the capital and income returns to shareholders, and negatively impacts on the Company's reputation. By nature, smaller unquoted businesses, such as those that qualify for venture capital trust purposes, are more fragile than larger, long established businesses.

   To reduce this risk, the Board places reliance upon the skills and expertise of the Manager and its strong track record for investing in this segment of the market. In addition, the Manager operates a formal and structured investment process, which includes an Investment Committee, comprising investment professionals from the Manager and at least one external investment professional. The Manager also invites comments from all non-executive Directors on investments discussed at the Investment Committee meetings. Investments are actively and regularly monitored by the Manager (investment managers normally sit on investee company boards) and the Board receives reports on each investment as part of the Manager's report at quarterly board meetings.

2. *Venture Capital Trust approval risk*

   The Company's current approval as a venture capital trust allows investors to take advantage of tax reliefs on initial investment and ongoing tax free capital gains and dividend income. Failure to meet the qualifying requirements could result in investors losing the tax relief on initial investment and loss of tax relief on any tax-free income or capital gains received. In addition, failure to meet the qualifying requirements could result in a loss of listing of the shares.

   To reduce this risk, the Board has appointed the Manager, who has a team with significant experience in venture capital trust management, used to operating within the requirements of the venture capital trust legislation. In addition, to provide further formal reassurance, the Board has appointed PricewaterhouseCoopers LLP as its taxation advisers. PricewaterhouseCoopers LLP report quarterly to the Board to independently confirm compliance with the venture capital trust legislation, to highlight areas of risk and to inform on changes in legislation.

Directors' report and enhanced business review (continued)

3. *Compliance risk*
The Company is listed on The London Stock Exchange and is required to comply with the rules of the UK Listing Authority, as well as with the Companies Act, Accounting Standards and other legislation. Failure to comply with these regulations could result in a delisting of the Company's shares, or other penalties under the Companies Act or from financial reporting oversight bodies.

   Board members and the Manager have experience of operating at senior levels within quoted businesses. In addition, the Board and the Manager receive regular updates on new regulation from its auditors, lawyers and other professional bodies.

4. *Internal control risk*
Failures in key controls, within the Board or within the Manager's business, could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.

   The Audit Committee meets with the Manager's internal auditors, Littlejohn LLP, at least once a year, receiving a report regarding the last formal internal audit performed on the Manager, and providing the opportunity for the Audit Committee to ask specific and detailed questions. During the year the Board met with the Partner of Littlejohn LLP responsible for the Albion Ventures LLP internal audit to discuss the most recent Internal Audit Report completed on the Manager. The Manager has a comprehensive business continuity plan in place in the event that operational continuity is threatened. Further details regarding the Board's management and review of the Company's internal controls through the implementation of the Turnbull guidance are detailed on page 27.

   Measures are in place to mitigate information risk in order to ensure the integrity, availability and confidentiality of information used within the business.

5. *Reliance upon third parties risk*
The Company is reliant upon the services of Albion Ventures LLP for the provision of investment management and administrative functions. There are provisions within the Management Agreement for the change of Manager under certain circumstances (for more detail, see the Management agreement paragraph on page 22). In addition, the Manager has demonstrated to the Board that there is no undue reliance placed upon any one individual within Albion Ventures LLP.

6. *Financial risks*
By its nature, as a venture capital trust, the Company is exposed to investment risk (which comprises investment price risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's policies for managing these risks and its financial instruments are outlined in full in note 20 to the financial statements.

   All of the Company's income and expenditure is denominated in sterling and hence the Company has no foreign currency risk. The Company is financed through equity and does not have any borrowings. The Company does not use derivative financial instruments.

Environment
The management and administration of Albion Development VCT PLC is undertaken by the Manager. Albion Ventures LLP recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption as will be shown in the financial statements of Albion Ventures LLP.

Employees
The Company is managed by Albion Ventures LLP and hence has no employees other than its Directors.

Directors
The Directors who held office throughout the year, and their interests in the shares of the Company (together with those of their immediate family) are shown below:

	31 March 2011	
	Ordinary shares	**D shares**
Jonathan Thornton	**85,580**	**10,400**
David Pinckney	**5,000**	**–**
Andrew Phillipps	**137,606**	**25,625**
Geoffrey Vero	**13,947**	**10,400**

	31 December 2010	
	Ordinary shares	**D shares**
Jonathan Thornton	**73,896**	**10,400**
David Pinckney	**5,000**	**–**
Andrew Phillipps	**123,000**	**25,625**
Geoffrey Vero	**12,000**	**10,400**

Directors' report and enhanced business review (continued)

	31 December 2009 Ordinary shares	D shares
Jonathan Thornton	70,078	10,400
David Pinckney	5,000	–
Andrew Phillipps	123,000	25,625
Geoffrey Vero	12,000	10,400

Staff of Albion Development VCT PLC, the Manager, hold a total of 82,246 Ordinary and 140,360 D shares in the Company.

All Directors are members of the Audit Committee of which David Pinckney is Chairman.

Further details regarding the Directors' remuneration are shown on page 29.

Directors' indemnity
Each Director has entered into a Deed of indemnity with the Company pursuant to which, the Company agrees, subject to the provisions of the Companies Act 2006 and the limitations set out in each deed, to indemnify each Director against any liability arising out of any claim made against him in relation to the performance of his duties as a Director of the Company. A copy of each Deed of indemnity entered into by the Company for each Director is available at the registered office of the Company.

Re-election of Directors
Directors' retirement and re-election is subject to the Articles of Association and the Combined Code on Corporate Governance. At the forthcoming Annual General Meeting. Andrew Phillipps will retire by rotation in accordance with the Articles and David Pinckney and Jonathan Thornton, having served as Directors for longer than nine years, will retire and offer themselves for re-election.

Management agreement
Under the Management agreement, the Manager provides investment management, secretarial and administrative services to the Company. The Management agreement may be terminated by either party on 12 months' notice and is subject to earlier termination in the event of certain breaches or on the insolvency of either party. The Manager is paid an annual fee equal to 2.25 per cent. of the net asset value of the Company paid quarterly in arrears. These management fee arrangements have been extended to the D shares.

Total annual expenses, including the management fee, are limited to 3.5 per cent. of the net asset value.

In line with common practice, the Manager is also entitled to an arrangement fee, payable by each investee company, of approximately 2 per cent. on each investment made.

Management performance incentive
The Management performance incentive structure sets a minimum target level, comprising the aggregate of dividends and net asset value per share, at 6.5 pence per share per annum. The Ordinary shares' target minimum return is cumulative from 1 January 2007 (which used the pro forma net asset value of 98.70 pence per share), and for the D shares, is 100.00 pence per share. The D shares' target minimum return is cumulative from 6 April 2010 using the issue price of 100.00 pence per D share.

In the event that the minimum return is not reached in one year, the shortfall needs to be made up in following years. The incentive fee is set at 20 per cent. of the excess return.

There was no management performance incentive fee payable during the year.

Evaluation of the manager
The Board has evaluated the performance of the Manager based on the returns generated by the Company, the continuing achievement of the 70 per cent. investment requirement for Venture Capital Trust status, the long term prospects of investments, a review of the Management agreement and the services provided therein, and benchmarking the performance of the Manager to other service providers. The Board believes that it is in the interests of shareholders as a whole, and of the Company, to continue the appointment of the Manager for the forthcoming year.

Valuation of investments
As described in note 2 of the Financial Statements, the unquoted equity, convertible bonds and debt issued at a discount held by the Company are valued at fair value through profit or loss in accordance with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. Unquoted investments are valued on the basis of forward looking estimates and judgements about the business itself, its market and the environment in which it operates, together with the state of the mergers and acquisitions market, stock market conditions and other factors. In making these judgements the valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board. All other unquoted loan stock is measured at amortised cost.

Directors' report and enhanced business review (continued)

Investment and co-investment
The Company co-invests with other venture capital trusts and funds managed by Albion Ventures LLP. Allocation of investments is on the basis of an allocation agreement which is based, *inter alia*, on the ratio of funds available for investment.

Auditors
The current auditors, PKF (UK) LLP have indicated their willingness to continue as auditors to Albion Development VCT PLC. A resolution to re-appoint PKF (UK) LLP as auditors will be proposed at the Annual General Meeting on 11 May 2011.

Supplier payment policy
The Company's policy is to pay all supplier invoices within 30 days of the invoice date, or as otherwise agreed. There were no overdue trade creditors at 31 December 2010 (2009: nil). Creditor days as at 31 December 2010 were 77 days (2009: nil). The movement in the creditor days between 31 December 2010 and 31 December 2009 has arisen due to timing differences in the payment of the quarterly management fee.

Annual General Meeting
The Annual General Meeting will be held at the City of London Club, 19 Old Broad St, London, EC2N 1DS at 12 noon on Wednesday 11 May 2011. The Notice of the Annual General Meeting is at the end of this document.

The proxy form enclosed with this Annual Report and Financial Statements permits shareholders to disclose votes 'for', 'against', and 'withheld'. A 'vote withheld' is not a vote in law and will not be counted in the proportion of the votes for and against the resolution. A summary of proxies lodged at the Annual General Meeting will be published at www.albion-ventures.co.uk within the 'Our Funds' section by clicking on Albion Development VCT PLC.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting for which shareholder approval is required in order to comply either with the Companies Act or the Listing Rules of the Financial Services Authority.

Power to allot shares
Ordinary resolution number 8 will request the authority to allot up to 10 per cent. of the issued Ordinary and D share capital.

During the year Ordinary and D shares were allotted as described in detail in note 15.

The Directors do not currently have any intention to allot shares, apart from the Albion VCTs Linked Top Up Offer, the Dividend Reinvestment Scheme and reissuing treasury shares where it is in the Company's interest to do so.

The Company currently holds 3,243,696 Ordinary treasury shares representing 9.5 per cent. of the Ordinary share capital in issue as at 31 March 2011.

This resolution replaces the authority given to the Directors at the General Meeting on 8 December 2010. The authority sought at the forthcoming Annual General Meeting will expire on 11 October 2012 or at the next Annual General Meeting, whichever is earlier.

Dis-application of pre-emption rights
Special resolution number 9 will request authority for Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The authority relates to a maximum of 10 per cent. of the issued Ordinary and D share capital of the Company as at the date of this Report.

This resolution replaces the authority given to the Directors at the General Meeting on 8 December 2010. The authority sought at the forthcoming Annual General Meeting will expire on 11 October 2012 or at the next Annual General Meeting, whichever is earlier. Members should note that this resolution also applies to treasury shares.

Purchase of own shares
Special resolution number 10 will request the authority to purchase approximately 14.99 per cent. of the Company's issued Ordinary share capital and issued D share capital at, or between, the minimum and maximum prices specified in resolution 10.

Shares bought back under this authority may be cancelled and up to 10 per cent. can be held in treasury.

The Board believes that it is helpful for the Company to continue to have the flexibility to buy its own shares and this resolution seeks authority from shareholders to do so.

This resolution would renew the June 2010 authority, which was in similar terms. During the year, the Company purchased 441,970 Ordinary shares to be held in treasury, cancelled 242,000 Ordinary shares from treasury and purchased 241,615 Ordinary shares for cancellation. Further information is shown in note 15.

Directors' report and enhanced business review (continued)

The authority sought at the forthcoming Annual General Meeting will expire on 11 October 2012 or at the next Annual General Meeting, whichever is earlier.

Treasury shares
Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by these resolutions are intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

Special resolution number 11 will request the authority for Directors to sell treasury shares at the higher of the prevailing share price and the price bought in at.

Recommendation
Your Board believes that the passing of the resolutions above are in the best interests of the Company and its shareholders as a whole, and unanimously recommends that you vote in favour of all the proposed resolutions, as the Directors intend to do in respect of their own beneficial shareholdings.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Directors' report, the Directors' remuneration report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Directors confirm, to the best of their knowledge that:

- the Financial Statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Management report included within the Chairman's statement, Manager's report and Director's report and enhanced business review, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names and functions of all the Directors are stated on page 9.

Disclosure of information to auditors

In the case of the persons who are Directors of the Company at the date of approval of this Report:

- so far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This disclosure is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By Order of the Board

Albion Ventures LLP
Company Secretary
1 King's Arms Yard
London EC2R 7AF
5 April 2011

Statement of corporate governance

Background
The Financial Services Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code issued by the Financial Reporting Council ("FRC") in July 2003 ("the Code") as updated in June 2006 and June 2008.

The Board of Albion Development VCT PLC has also considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Albion Development VCT PLC.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders than reporting under the Code alone.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

Application of the Principles of the Code
The Board attaches importance to matters set out in the Code and applies its principles. However, as a venture capital trust company, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

Board of Directors
The Board consists solely of non-executive Directors. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer. Given the small size of the Board and as the Board comprises wholly non-executive Directors, it has not been considered necessary to appoint a Senior Independent Director.

Geoffrey Vero is the Chairman of the Company. As Geoffrey Vero is no longer a director of Crown Place VCT plc, he is considered independent. David Pinckney and Andrew Phillipps are also considered to be independent Directors. Jonathan Thornton is not considered to be an independent Director as he is a member of the Albion Ventures LLP Investment Committee.

David Pinckney and Jonathan Thornton have been Directors of the Company for more than nine years and, in accordance with the recommendations of the AIC code, are subject to annual re-election. The Board does not consider that a Director's length of service reduces his ability to act independently of the Manager. Andrew Phillipps will retire by rotation in accordance with the Articles and offer himself for re- election at the forthcoming Annual General Meeting.

The Directors have a range of business and financial skills which are relevant to the Company; these are described in the Board of Directors section on page 9. Directors are provided with key information on the Company's activities, including regulatory and statutory requirements, and internal controls, by the Manager. The Board has access to secretarial advice and compliance services by the Manager, who is responsible for ensuring that Board procedures are followed and applicable procedures complied with. All Directors are able to take independent professional advice in furtherance of their duties if necessary. In accordance with the Combined Code, the Company has in place Directors' & Officers' Liability Insurance.

The Board met five times during 2010 as part of its regular programme of Board meetings. Geoffrey Vero, Jonathan Thornton and Andrew Phillips attended each meeting and David Pinckney attended four meetings. A sub-committee of the Board comprising two directors met twice during the year to allot Ordinary shares issued under the Dividend Reinvestment Scheme and seven times to allot shares under the Offer for Subscription for D shares.

In addition, a sub-committee of the Board comprising two Directors met to finalise matters relating to the Albion VCTs Linked Top Up Offer and to approve revisions to the Company's allocation agreement that arose as a result of Albion Ventures LLP being appointed to manage SPARK VCT PLC and SPARK VCT 2 PLC.

The Chairman ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. The Board receives and considers reports regularly from the Manager and other key advisers, and ad hoc reports and information are supplied to the Board as required. The Board has a formal schedule of matters reserved for it and the agreement between the Company and its Manager sets out the matters over which the Manager has authority and limits beyond which Board approval must be sought.

The Manager has authority over the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. The main issues reserved for the Board include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- application of the principles of the Combined Code, corporate governance and internal control;

Statement of corporate governance (continued)

- review of sub-committee recommendations, including the recommendation to shareholders for the appointment and remuneration of Auditors;
- approval of the appropriate dividend to be paid to shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price;
- share buy-back and treasury share policy; and
- monitoring shareholder profile and considering shareholder communications.

Committees' and Directors' performance evaluation
Performance of the Board and the Directors is assessed on the following:

- attendance at Board and Committee meetings;
- the contribution made by individual Directors at, and outside of, Board and Committee meetings; and
- completion of a detailed internal assessment process and annual performance evaluation conducted by the Chairman.

The Board believes that it has the right balance of independence, skills, experience and knowledge for the effective governance of the Company. The Board considers any skills gaps in existence and takes action to remedy this where necessary.

Directors are offered training, both at the time of joining the Board and on other occasions where required. The Board also undertakes a proper and thorough evaluation of its committees on an annual basis.

As a result of the performance evaluation process, Andrew Phillipps, David Pinckney and Jonathan Thornton are considered to be effective Directors and demonstrate strong commitment to the role. The Board believes it to be in the best interests of the Company to propose that these Directors be re-elected at the forthcoming Annual General Meeting.

Remuneration Committee
Since the Company has no executive directors, the detailed Directors' Remuneration disclosure requirements set out in Listing Rules 12.43A (a), 12.43A (b) and 12.43A (c) as they relate to Combined Code Provisions B.1 to B.2, B1.1 to B1.6, and B2.1 to B2.4 are not relevant.

Audit Committee
The Audit Committee consists of all Directors. David Pinckney is Chairman of the Audit Committee. In accordance with the Code, the members of the Audit Committee have recent and relevant financial experience. The Committee met twice during the year ended 31 December 2010; all members attended.

Written terms of reference have been constituted for the Audit Committee, these are as follows:

- providing an overview of the Company's accounting policies and financial reporting;
- considering and reviewing the effectiveness of the Company's internal controls and risk management systems;
- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- meeting the Company's external Auditors annually, approving their appointment, re-appointment, remuneration and terms of engagement;
- monitoring and reviewing the external Auditor's independence and objectivity and the effectiveness of the audit process;
- developing and implementing a policy for the supply of non-audit services by the external Auditors;
- meeting external Auditors at least once a year without the presence of the Manager;
- meeting with the internal auditors of the Manager when appropriate;
- ensuring that all Directors of the Company and staff of the Manager feel able to raise issues of serious concern with the Chairman of the Audit Committee, and that these issues, when raised, are subject to proportionate and independent investigation, and appropriate action;
- reporting to the Board, identifying any matters in respect of which action or improvement is needed and recommending appropriate steps to be taken; and
- undertaking the duties of the Engagement Committee, and reviewing the performance of the Manager and all matters arising under the Management Agreement.

During the year under review, the Committee discharged the responsibilities described above. Its activities included:

- formally reviewing the final Annual Report and Financial Statements, the Half-yearly Report, the Interim Management Statements and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system and examination of the Internal Controls Report produced by the Manager;
- meeting with the partner in charge of the Albion Ventures' internal audit at Littlejohn LLP;
- meeting with the external Auditors and reviewing their findings; and

Statement of corporate governance (continued)

- reviewing the performance of the Manager and making recommendations regarding their re-appointment to the Board.

The Committee reviews the performance and continued suitability of the Company's external auditors on an annual basis. They assess the external auditors' independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external auditors that they are independent and of the level of non-audit fees earned by them and their affiliates. There were no non-audit fees charged to the Company during the year.

Where non-audit fee levels are considered significant, the Committee considers the appropriateness of the independence safeguards put in place by the auditors. Note 6 details the total fees paid to PKF (UK) LLP in the financial year to 31 December 2010. The Committee considers PKF (UK) LLP to be independent of the Company, and that the provision of non-audit services does not threaten the objectivity and independence of the audit. As part of its annual review procedures, the Committee has obtained sufficient assurance from their own evaluation and the audit feedback documentation. Based on the assurance obtained, the Committee has recommended to the Board that PKF (UK) LLP is reappointed and that a resolution to this effect be proposed at the forthcoming Annual General Meeting.

Nomination Committee

The Nomination Committee consists of all Directors, with Geoffrey Vero as Chairman. The terms of reference of the Nomination Committee are to evaluate the balance of skills, experience and time commitment of the current Board members and make recommendations to the Board as and when a particular appointment arises. The Nomination Committee met once during 2010 and will meet again when it is appropriate for it to do so.

It is the policy of the Company that all of the Directors are nominated for re-election every three years and that Directors who have served the Company for more than nine years are subject to annual re-election. Having served for more than nine years, David Pinckney and Jonathan Thornton will retire and be proposed for re-election at the forthcoming Annual General Meeting. In addition, Andrew Phillipps will retire by rotation as described in the Articles and be proposed for re-election at the Annual General Meeting. The terms and conditions of Directors' appointment are available for inspection at the Annual General Meeting.

Internal control

In accordance with principle C.2 of the Combined Code, the Board has an established process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the year and continues to be subject to regular review by the Board in accordance with the Internal Control Guidance for Directors in the Combined Code published in September 1999 and updated in 2005 (the "Turnbull guidance"). The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board's monitoring covers all controls, including financial, operational and compliance controls, and risk management. The Board receives each year from the Manager, a formal report, which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. Steps are and continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers, and to deal with areas of improvement which come to the Manager's and the Board's attention.

The Board has performed a specific assessment for the purpose of this Annual Report. This assessment considers all significant aspects of internal control arising during the year. The Audit Committee assists the Board in discharging its review responsibilities.

The main features of the internal control system with respect to financial reporting, in place throughout the year are:

- segregation of duties between the preparation of valuations and the recording of these into accounting records;
- independent valuations of the asset-backed investments within the portfolio are undertaken annually;
- reviews of valuations are carried out by the Managing Partner and reviews of financial reports are carried out by the Operations Partner, of Albion Ventures LLP;
- bank and stock reconciliations are carried out monthly by the Manager in accordance with the FSA requirements;
- all published financial reports are reviewed by Albion Ventures LLP Compliance department;
- the Board reviews financial information; and
- a separate Audit Committee of the Board reviews published financial information.

During the year, as the Board has delegated the investment management and administration to Albion Ventures LLP, the Board feels that it is not necessary to have its own internal audit function. Instead, the Board had access to Littlejohn LLP, which, as internal auditor for Albion Ventures LLP, undertakes periodic examination of the business processes

Statement of corporate governance (continued)

and controls environment at Albion Ventures LLP, and ensures that any recommendations to implement improvements in controls are carried out. Littlejohn LLP reports formally to the Board of Albion Development VCT PLC on an annual basis. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended.

Going concern

In accordance with "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" issued by Financial Reporting Council, the Board has assessed the Company's operation as a going concern. The Company has significant cash and liquid resources, its portfolio of investments is well diversified in terms of sector, and the major cash outflows of the Company (namely investments, buy-backs and dividends) are within the Company's control. Accordingly, after making diligent enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

The Board's assessment of liquidity risk and details of the Company's policies for managing its capital and financial risks are shown in note 20. The Company's business activities, together with details of its performance are shown in the Directors' report and enhanced business review.

Conflicts of interest

Directors review the disclosure of conflicts of interest annually, with any changes reviewed and noted at the beginning of each Board meeting. A Director who has conflicts of interest has two independent Directors authorise those conflicts. Procedures to disclose and authorise conflicts of interest have been adhered to throughout the year.

Capital structure and Articles of Association

Details regarding the Company's capital structure, substantial interests and Directors' powers to buy and issue shares are detailed in full on pages 17, 23 and 24 respectively of the Directors' report and enhanced business review. The Company is not party to any significant agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Any amendments to the Company's Articles of Association are by way of a special resolution subject to ratification by shareholders.

Relations with shareholders

The Company's Annual General Meeting at 12 noon on 11 May 2011 will be used as an opportunity to communicate with investors. The Board, including the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

At the Annual General Meeting, the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of votes withheld, are announced after the resolution has been voted on by a show of hands.

The Annual General Meeting will also include a presentation from the Manager on the portfolio and on the Company, and a presentation from an investee company.

Shareholders are able to access the latest information on the Company via the Albion Ventures LLP website www.albion-ventures.co.uk under the "Our Funds" section.

Any enquiries relating to shareholdings and share certificates or changes to personal details can be directed to Capita Registrars Limited:

Tel: 0871 664 0300
Calls cost 10p per minute plus network extras (lines are open 8.30am – 5.30pm, Mon – Fri)
Email: ssd@capitaregistrars.com

Specific enquiries relating to the performance of the Fund should be directed to Albion Ventures LLP:

Tel: 020 7601 1850 (lines are open 9.00am – 5.30pm, Mon – Fri, calls may be recorded)
Email: info@albion-ventures.co.uk

The Company's share buy-back programme operates in the market through brokers. In order to sell shares, as they are quoted on the London Stock Exchange, investors should approach a broker to undertake the sale. Banks may be able to assist shareholders with a referral to a broker within their banking group.

Statement of compliance

With the exception of the requirement to have a Senior Independent Director and a Remuneration Committee, the Directors consider that the Company has complied throughout the year ended 31 December 2010 with all the relevant provisions set out in Section 1 of the Code, and with the AIC Code of Corporate Governance. The Company continues to comply with the Code as at the date of this report.

By Order of the Board

Geoffrey Vero
Chairman
1 King's Arms Yard
London EC2R 7AF
5 April 2011

Directors' remuneration report

Introduction

This report is submitted in accordance with Section 420 of the Companies Act 2006. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the Director's remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting.

UNAUDITED INFORMATION

Remuneration Committee

Since the Company's Board consists solely of non-executive Directors and there are no executive employees, a Remuneration Committee is not considered necessary.

Directors' remuneration policy

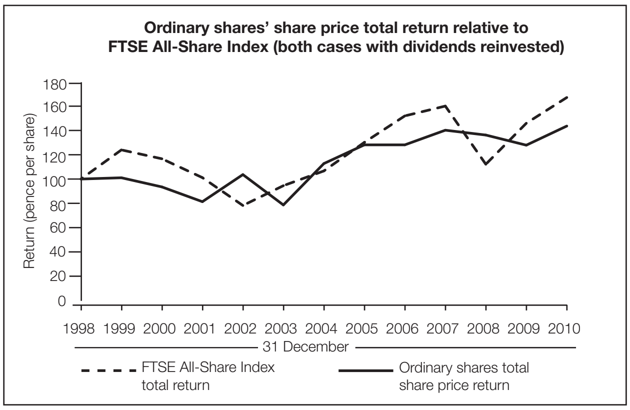
The Company's policy is that fees payable to non-executive Directors should reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the Company.

The maximum level of non-executive Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £100,000 per annum; amendment to this is by way of a special resolution subject to ratification by shareholders.

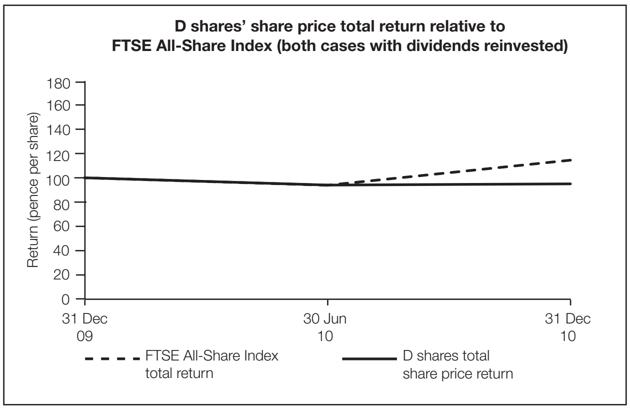
Performance graph

The graphs below show Albion Development VCT PLC's Ordinary and D shares' price total return against the FTSE All-Share Index total return, in both instances with dividends reinvested, since the launch. The Directors consider the FTSE All-Share Index to be the most appropriate benchmark for the Company. Investors should, however, be reminded that shares in VCTs generally trade at a discount to the actual net asset value of the Company.

There are no options, issued or exercisable, in the Company which would distort the graphical representation.



Source: Albion Ventures LLP



Methodology: The share price return to the shareholder, including original amount invested (rebased to 100) from launch, assuming that dividends were re-invested at the share price of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

Service contracts

None of the Directors has a service contract with the Company.

The Company's Articles of Association provide for the resignation and, if approved, re-election of the Directors every three years at the Annual General Meeting. At the forthcoming Annual General Meeting, Andrew Phillipps, David Pinckney and Jonathan Thornton will retire and be proposed for re-election.

AUDITED INFORMATION

Directors' remuneration

The following items have been audited.

The following table shows an analysis of the remuneration of individual Directors, exclusive of National Insurance or VAT:

	2010 Fees £'000	2009 Fees £'000
Jonathan Thornton	20.5	20.5
Andrew Phillipps	20.5	20.5
David Pinckney	20.5	20.5
Geoffrey Vero	20.5	20.5
	82.0	82.0

The Company does not confer any share options, long term incentives or retirement benefits to any Director, nor does it make a contribution to any pension scheme on behalf of the Directors.

No Director has a contract with the Company.

Directors' remuneration report continued

Each Director of the Company was remunerated personally through the Manager's payroll which has been recharged to the Company, save for Jonathan Thornton whose services were provided by Jonathan Thornton Limited during the year.

In addition to Directors' remuneration, the Company pays an annual premium in respect of Directors' & Officers' Liability Insurance of £9,450 (2009: £7,000).

By Order of the Board

Albion Ventures LLP
Company Secretary
1 King's Arms Yard
London, EC2R 7AF
5 April 2011

Independent Auditor's report to the Members of Albion Development VCT PLC

We have audited the Financial Statements of Albion Development VCT Plc for the year ended 31 December 2010 which comprise the Income statement, the Balance sheet, the Reconciliation of movements in shareholders' funds, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and the Auditor
As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements
In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report and enhanced business review for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Statement of corporate governance in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the Financial Statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 28, in relation to going concern; and
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Rhodri Whitlock (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK
5 April 2011

Income statement

		Combined Year ended 31 December 2010			Combined Year ended 31 December 2009		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	3	**–**	**1,005**	**1,005**	–	(986)	(986)
Investment income	4	**924**	**–**	**924**	1,078	–	1,078
Investment management fees	5	**(152)**	**(457)**	**(609)**	(135)	(407)	(542)
Recovery of VAT		**–**	**–**	**–**	26	82	108
Other expenses	6	**(229)**	**–**	**(229)**	(178)	–	(178)
Return/(loss) on ordinary activities before tax		**543**	**548**	**1,091**	791	(1,311)	(520)
Tax (charge)/credit on ordinary activities	8	**(82)**	**114**	**32**	(88)	94	6
Return/(loss) attributable to shareholders		**461**	**662**	**1,123**	703	(1,217)	(514)

The accompanying notes on pages 43 to 59 form an integral part of these Financial Statements.

The total column of this Income statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with the Association of Investment Companies' Statement of Recommended Practice.

All revenue and capital items in the above statement derive from continuing operations.

There are no recognised gains or losses other than the results for the year disclosed above. Accordingly a Statement of total recognised gains and losses is not required.

The difference between the reported loss on ordinary activities before tax and the historical profit is due to the fair value movements on investments. As a result a note on historical cost profit and losses has not been prepared.

Disclosure of basic and diluted earnings per share is given in the underlying Ordinary and D share fund Income statements on the following pages.

Income statement (non-statutory analysis)

		Ordinary shares Year ended 31 December 2010			Ordinary shares Year ended 31 December 2009		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	3	**–**	**985**	**985**	–	(986)	(986)
Investment income	4	**835**	**–**	**835**	1,077	–	1,077
Investment management fees	5	**(125)**	**(376)**	**(501)**	(135)	(406)	(541)
Recovery of VAT		**–**	**–**	**–**	26	82	108
Other expenses	6	**(185)**	**–**	**(185)**	(178)	–	(178)
Return/(loss) on ordinary activities before tax		**525**	**609**	**1,134**	790	(1,310)	(520)
Tax (charge)/credit on ordinary activities	8	**(78)**	**97**	**19**	(88)	94	6
Return/(loss) attributable to shareholders		**447**	**706**	**1,153**	702	(1,216)	(514)
Basic and diluted return/(loss) per share (pence)*	10	**1.50**	**2.40**	**3.90**	2.40	(4.10)	(1.70)

		D shares Year ended 31 December 2010			D shares Year ended 31 December 2009		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	**–**	**20**	**20**	–	–	–
Investment income	4	**89**	**–**	**89**	1	–	1
Investment management fees	5	**(27)**	**(81)**	**(108)**	–	(1)	(1)
Other expenses	6	**(44)**	**–**	**(44)**	–	–	–
Return/(loss) on ordinary activities before tax		**18**	**(61)**	**(43)**	1	(1)	–
Tax (charge)/credit on ordinary activities	8	**(4)**	**17**	**13**	–	–	–
Return/(loss) attributable to shareholders		**14**	**(44)**	**(30)**	1	(1)	–
Basic and diluted return/(loss) per share (pence)*	10	**0.30**	**(0.90)**	**(0.60)**	–	–	–

* *excluding treasury shares*

The accompanying notes on pages 43 to 59 form an integral part of these Financial Statements.

Balance sheet

	Note	Combined 31 December 2010 £'000	Combined 31 December 2009 £'000
Fixed asset investments	11	**19,639**	18,875
Current assets			
Trade and other debtors	13	**237**	406
Cash at bank and in hand	18	**8,512**	5,908
		8,749	6,314
Creditors: amounts falling due within one year	14	**(470)**	(306)
Net current assets		**8,279**	6,008
Net assets		**27,918**	24,883
Capital and reserves			
Called up share capital	15	**19,388**	17,074
Share premium		**37**	640
Capital redemption reserve		**1,426**	1,183
Unrealised capital reserve		**(5,063)**	(6,365)
Special reserve		**10,497**	12,507
Treasury shares reserve		**(2,633)**	(2,540)
Realised capital reserve		**2,860**	1,389
Revenue reserve		**1,406**	995
Total equity shareholders' funds		**27,918**	24,883

The accompanying notes on pages 43 to 59 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors, and authorised for issue on 5 April 2011 and were signed on its behalf by

Geoffrey Vero
Chairman

Company number: 3654040

Balance sheet (non-statutory analysis)

	Note	Ordinary shares 31 December 2010 £'000	Ordinary shares 31 December 2009 £'000
Fixed asset investments	11	**17,853**	18,875
Current assets			
Trade and other debtors	13	**219**	170
Cash at bank and in hand	18	**4,227**	4,709
		4,446	4,879
Creditors: amounts falling due within one year	14	**(279)**	(228)
Net current assets		**4,167**	4,651
Net assets		**22,020**	23,526
Capital and reserves			
Called up share capital	15	**16,220**	16,357
Share premium		**37**	–
Capital redemption reserve		**1,426**	1,183
Unrealised capital reserve		**(5,083)**	(6,365)
Special reserve		**7,752**	12,507
Treasury shares reserve		**(2,633)**	(2,540)
Realised capital reserve		**2,924**	1,390
Revenue reserve		**1,377**	994
Total equity shareholders' funds		**22,020**	23,526
Basic and diluted net asset value per share (pence)*	17	**75.40**	79.30

** excluding treasury shares*

The accompanying notes on pages 43 to 59 form an integral part of these Financial Statements.

Balance sheet (non-statutory analysis)

	Note	D shares 31 December 2010 £'000	D shares 31 December 2009 £'000
Fixed asset investments	11	**1,786**	–
Current assets			
Trade and other debtors	13	**18**	236
Cash at bank and in hand	18	**4,285**	1,199
		4,303	1,435
Creditors: amounts falling due within one year	14	**(191)**	(78)
Net current assets		**4,112**	1,357
Net assets		**5,898**	1,357
Capital and reserves			
Called up share capital	15	**3,168**	717
Share premium		–	640
Capital redemption reserve		–	–
Unrealised capital reserve		**20**	–
Special reserve		**2,745**	–
Treasury shares reserve		–	–
Realised capital reserve		**(64)**	(1)
Revenue reserve		**29**	1
Total equity shareholders' funds		**5,898**	1,357
Basic and diluted net asset value per share (pence)*	17	**93.00**	94.60

** excluding treasury shares*

The accompanying notes on pages 43 to 59 form an integral part of these Financial Statements.

Reconciliation of movements in shareholders' funds

Combined

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve* £'000	Special reserve* £'000	Treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 January 2010	**17,074**	**640**	**1,183**	**(6,365)**	**12,507**	**(2,540)**	**1,389**	**995**	**24,883**
Net realised gains on investments	–	–	–	–	–	–	386	–	386
Unrealised gains on investments	–	–	–	619	–	–	–	–	619
Transfer of unrealised losses to realised losses	–	–	–	682	–	–	(682)	–	–
Capitalised investment management fee	–	–	–	–	–	–	(457)	–	(457)
Tax relief on costs charged to capital	–	–	–	–	–	–	114	–	114
Purchase of own treasury shares	–	–	–	–	–	(289)	–	–	(289)
Cancellation of treasury shares	(121)	–	121	–	(196)	196	–	–	–
Purchase of own shares for cancellation	(120)	–	120	–	(158)	–	–	–	(158)
Issue of equity (net of costs)	2,555	2,221	–	–	–	–	–	–	4,776
Cancellation of Share premium account	–	(2,824)	–	–	2,810	–	–	14	–
Transfer from Special reserve to Realised reserve	–	–	–	–	(3,301)	–	3,301	–	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	461	461
Dividends paid	–	–	–	–	(1,165)	–	(1,191)	(64)	(2,420)
As at 31 December 2010	**19,388**	**37**	**1,426**	**(5,063)**	**10,497**	**(2,633)**	**2,860**	**1,406**	**27,918**
As at 1 January 2009	16,307	3,266	1,183	(5,622)	9,223	(2,272)	2,459	889	25,433
Net realised losses on investments	–	–	–	–	–	–	(3)	–	(3)
Unrealised losses on investments	–	–	–	(983)	–	–	–	–	(983)
Transfer of unrealised losses to realised losses	–	–	–	240	–	–	(240)	–	–
Capitalised investment management fee	–	–	–	–	–	–	(407)	–	(407)
Capitalised recoverable VAT	–	–	–	–	–	–	82	–	82
Tax relief on costs charged to capital	–	–	–	–	–	–	94	–	94
Purchase of own treasury shares	–	–	–	–	–	(268)	–	–	(268)
Issue of equity (net of costs)	767	658	–	–	–	–	–	–	1,425
Cancellation of Share premium account	–	(3,284)	–	–	3,284	–	–	–	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	703	703
Dividends paid	–	–	–	–	–	–	(596)	(596)	(1,192)
As at 31 December 2009	17,074	640	1,183	(6,365)	12,507	(2,540)	1,389	995	24,883

* The Special reserve allows the Company, amongst other things, to facilitate the payment of dividends earlier than would otherwise have been possible as transfers can be made from this reserve to the Realised capital reserve to offset gross losses on disposal of investments. Accordingly, a transfer of £3,301,000 in respect of the Ordinary shares, representing gross realised losses on disposal of investments from launch to 31 December 2010, has been made from the Special reserve to the Realised capital reserve.

Included within these reserves is an amount of £7,067,000 (2009: £5,986,000) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

Reconciliation of movements in shareholders' funds

Ordinary shares (non-statutory analysis)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve* £'000	Special reserve* £'000	Treasury share reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 January 2010	**16,357**	**–**	**1,183**	**(6,365)**	**12,507**	**(2,540)**	**1,390**	**994**	**23,526**
Net realised gains on investments	–	–	–	–	–	–	386	–	386
Unrealised gains on investments	–	–	–	599	–	–	–	–	599
Transfer of unrealised losses to realised losses	–	–	–	682	–	–	(682)	–	–
Capitalised investment management fee	–	–	–	–	–	–	(376)	–	(376)
Tax relief on costs charged to capital	–	–		–	–	–	97	–	97
Purchase of own treasury shares	–	–	–	–	–	(289)	–	–	(289)
Cancellation of shares out of treasury	(121)	–	121	–	(196)	196	–	–	–
Purchase of own shares for cancellation	(120)	–	120	–	(158)	–	–	–	(158)
Issue of equity (net of costs)	104	37	–	–	–	–	–	–	141
Transfer from Special reserve to realised reserve	–	–	–	–	(3,301)	–	3,301	–	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	447	447
Dividends paid	–	–	–	–	(1,100)	–	(1,191)	(64)	(2,355)
As at 31 December 2010	**16,220**	**37**	**1,426**	**(5,083)**	**7,752**	**(2,633)**	**2,924**	**1,377**	**22,020**
As at 1 January 2009	16,307	3,266	1,183	(5,622)	9,223	(2,272)	2,459	889	25,433
Net realised losses on investments	–	–	–	–	–	–	(3)	–	(3)
Unrealised losses on investments	–	–	–	(983)	–	–	–	–	(983)
Transfer of unrealised losses to realised losses	–	–	–	240	–	–	(240)	–	–
Capitalised investment management fee	–	–	–	–	–	–	(406)	–	(406)
Capitalised recoverable VAT	–	–	–	–	–	–	82	–	82
Tax relief on costs charged to capital	–	–	–	–	–	–	94	–	94
Purchase of own treasury shares	–	–	–	–	–	(268)	–	–	(268)
Issue of equity (net of costs)	50	18	–	–	–	–	–	–	68
Cancellation of Share premium account	–	(3,284)	–	–	3,284	–	–	–	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	702	702
Dividends paid	–	–	–	–	–	–	(596)	(596)	(1,192)
As at 31 December 2009	16,357	–	1,183	(6,365)	12,507	(2,540)	1,390	994	23,526

Included within these reserves is an amount of £4,337,000 (2009: £5,986,000) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

Reconciliation of movements in shareholders' funds

D shares (non-statutory analysis)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Unrealised capital reserve £'000	Special reserve* £'000	Treasury shares reserve* £'000	Realised capital reserve* £'000	Revenue reserve* £'000	Total £'000
As at 1 January 2010	**717**	**640**	**–**	**–**	**–**	**–**	**(1)**	**1**	**1,357**
Unrealised gains on investments	–	–	–	20	–	–	–	–	20
Capitalised investment management fee	–	–	–	–	–	–	(81)	–	(81)
Tax relief on costs charged to capital	–	–	–	–	–	–	17	–	17
Issue of equity (net of costs)	2,451	2,184	–	–	–	–	–	–	4,635
Cancellation of share premium account	–	(2,824)	–	–	2,810	–	–	14	–
Revenue return attributable to shareholders	–	–	–	–	–	–	–	14	14
Dividends paid	–	–	–	–	(65)	–	–	–	(65)
As at 31 December 2010	**3,168**	**–**	**–**	**20**	**2,745**	**–**	**(64)**	**29**	**5,898**
As at 1 January 2009	–	–	–	–	–	–	–	–	–
Capitalised investment management fee	–	–	–	–	–	–	(1)	–	(1)
Issue of equity (net of costs)	717	640	–	–	–	–	–	–	1,357
Revenue return attributable to shareholders	–	–	–	–	–	–	–	1	1
As at 31 December 2009	717	640	–	–	–	–	(1)	1	1,357

Included within these reserves is an amount of £2,710,000 (2009: nil) which is considered distributable. The Special reserve has been treated as distributable in determining the amounts available for distribution.

Cash flow statement

	Notes	Combined Year ended 31 December 2010 £'000	Combined Year ended 31 December 2009 £'000
Operating activities			
Investment income received		**706**	949
Deposit interest received		**136**	66
Dividend income received		**50**	47
Other income received		**–**	22
Investment management fees paid		**(600)**	(375)
VAT recovery		**–**	522
Other cash payments		**(211)**	(180)
Net cash flow from operating activities	19	**81**	1,051
Taxation			
UK corporation tax recovered/(paid)		**44**	(384)
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(3,188)**	(1,819)
Disposal of fixed asset investments		**3,590**	422
Net cash flow from investing activities		**402**	(1,397)
Management of liquid resources			
Disposal of current asset investments		**–**	3,050
Net cash flow from liquid resources		**–**	3,050
Equity dividends paid			
Dividends paid (net of cost of shares issued under the Dividend Reinvestment Scheme)		**(2,265)**	(1,133)
Net cash flow before financing		**(1,738)**	1,187
Financing			
Issue of share capital (net of costs)		**4,792**	1,199
Purchase of own shares	15	**(446)**	(268)
Costs of cancelling share premium account		**(6)**	–
Interclass payments		**2**	–
Net cash flow from financing		**4,342**	931
Cash flow in the year	18	**2,604**	2,118

Cash flow statement (non-statutory analysis)

		Ordinary shares Year ended 31 December 2010	Ordinary shares Year ended 31 December 2009
	Notes	£'000	£'000
Operating activities			
Investment income received		**692**	949
Deposit interest received		**65**	66
Dividend income received		**50**	47
Other income received		**–**	22
Investment management fees paid		**(525)**	(375)
VAT recovery		**–**	522
Other cash payments		**(181)**	(180)
Net cash flow from operating activities	19	**101**	1,051
Taxation			
UK corporation tax recovered/(paid)		**44**	(384)
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(1,567)**	(1,819)
Disposal of fixed asset investments		**3,590**	422
Net cash flow from investing activities		**2,023**	(1,397)
Management of liquid resources			
Disposal of current asset investments		**–**	3,050
Net cash flow from liquid resources		**–**	3,050
Equity dividends paid			
Dividends paid (net of cost of shares issued under Dividend Reinvestment Scheme)		**(2,200)**	(1,133)
Net cash flow before financing		**(32)**	1,187
Financing			
Purchase of own shares		**(446)**	(251)
Costs of issue of share capital		**(6)**	(17)
Interclass payments		**2**	–
Net cash flow from financing		**(450)**	(268)
Cash flow in the year	18	**(482)**	919

Cash flow statement (non-statutory analysis)

	Notes	D shares Year ended 31 December 2010	D shares Year ended 31 December 2009
		£'000	£'000
Operating activities			
Investment income received		**14**	–
Deposit interest received		**71**	–
Investment management fees paid		**(75)**	–
Other cash payments		**(30)**	–
Net cash flow from operating activities	19	**(20)**	–
Capital expenditure and financial investments			
Purchase of fixed asset investments		**(1,621)**	–
Disposal of fixed asset investments		**–**	–
Net cash flow from investing activities		**(1,621)**	–
Equity dividends paid			
Dividends paid		**(65)**	–
Net cash flow before financing		**(1,706)**	–
Financing			
Issue of share capital (net of costs)		**4,792**	1,199
Net cash flow from financing		**4,792**	1,199
Cash flow in the year	18	**3,086**	1,199

Notes to the Financial Statements

1. **Accounting convention**

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of investments, in accordance with applicable United Kingdom law and accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") issued by the Association of Investment Companies ("AIC") in January 2009. Accounting policies have been applied consistently in current and prior periods.

2. **Accounting policies**

Investments

Quoted and unquoted equity investments, debt issued at a discount, and convertible bonds

In accordance with FRS 26 "Financial Instruments Recognition and Measurement", quoted and unquoted equity, debt issued at a discount and convertible bonds are designated as fair value through profit or loss. Investments listed on recognised exchanges are valued at the closing bid prices at the end of the accounting period. Unquoted investments' fair value is determined by the Directors in accordance with the September 2009 International Private Equity and Venture Capital Valuation Guidelines (IPEVCV guidelines).

Desk top reviews are carried out by independent RICS qualified surveyors by updating previously prepared full valuations for current trading and market indices. Full valuations are prepared by similarly qualified surveyors but in full compliance with the RICS Red Book.

Fair value movements and gains and losses arising on the disposal of investments are reflected in the capital column of the Income statement in accordance with the AIC SORP. Realised gains or losses on the sale of investments will be reflected in the Realised capital reserve, and unrealised gains or losses arising from the revaluation of investments will be reflected in the Unrealised capital reserve.

Warrants and unquoted equity derived instruments

Warrants and unquoted equity derived instruments are only valued if their exercise or contractual terms would allow them to be exercised as at the balance sheet date, and if there is additional value to the Company in exercising or converting as at the balance sheet date. Otherwise these instruments are held at nil value. The valuation techniques used are those used for the underlying equity investment.

Unquoted loan stock

Unquoted loan stock (excluding convertible bonds and debt issued at a discount) is classified as loans and receivables in accordance with FRS 26 and carried at amortised cost using the Effective Interest Rate method less impairment. Movements in respect of capital provisions are reflected in the capital column of the Income statement and are reflected in the Realised capital reserve following sale, or in the Unrealised capital reserve on revaluation.

For all unquoted loan stock, fully performing, renegotiated, past due and impaired, the Board considers that the fair value is equal to or greater than the security value of these assets. For unquoted loan stock, the amount of the impairment is the difference between the asset's cost and the present value of estimated future cash flows, discounted at the effective interest rate. The future cash flows are estimated based on the fair value of the security less estimated selling costs.

Investments are recognised as financial assets on legal completion of the investment contract and are de-recognised on legal completion of the sale of an investment.

Dividend income is not recognised as part of the fair value movement of an investment, but is recognised separately as investment income through the Revenue reserve when a share becomes ex-dividend.

Loan stock accrued interest is recognised in the Balance sheet as part of the carrying value of the loans and receivables at the end of each reporting period.

It is not the Company's policy to exercise control or significant influence over investee companies. Therefore, in accordance with the exemptions under FRS 9 "Associates and joint ventures", those undertakings in which the Company holds more than 20 per cent. of the equity are not regarded as associated undertakings.

Investment income

Quoted and unquoted equity income

Dividend income is included in revenue when the investment is quoted ex-dividend.

Unquoted loan stock and other preferred income

Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using the effective interest rate over the life of the financial instrument. Income which is not capable of being received within a reasonable period of time is reflected in the capital value of the investment.

Bank interest income

Interest income is recognised on an accrual basis using the rate of interest agreed with the bank.

Investment management fees and other expenses

All expenses have been accounted for on an accruals basis. Expenses are charged through the revenue account except the following which are charged through the Realised capital reserve:

- 75 per cent. of management fees are allocated to the capital account to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75 per cent. of the Company's investment returns will be in the form of capital gains; and
- expenses which are incidental to the purchase or disposal of an investment are charged through the Realised capital reserve.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Under the terms of the Management agreement, total expenses including management fees and excluding performance fees will not exceed 3.5 per cent. of net asset value of the Company at the year end.

Performance incentive fee

In the event that a performance incentive fee crystallises, the fee will be allocated between Revenue and Realised capital reserves based upon the proportion to which the calculation of the fee is attributable to revenue and capital returns.

Taxation

Taxation is applied on a current basis in accordance with FRS 16 "Current tax". Taxation associated with capital expenses is applied in accordance with the SORP. In accordance with FRS 19 "Deferred tax", deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The Directors have considered the requirements of FRS 19 and do not believe that any provision should be made for deferred tax.

Reserves

Share premium account

This reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less issue costs and transfers to the special reserve.

Capital redemption reserve

This reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own shares.

Unrealised capital reserves

Increases and decreases in the valuation of investments held at the year end against cost, are included in this reserve.

Special reserve

The cancellation of the share premium account has created a special reserve that can be used to fund market purchases and subsequent cancellation of own shares, the payment of dividends, to cover gross realised losses, and for other distributable purposes.

Treasury shares reserve

This reserve accounts for amounts by which the distributable reserves of the Company are diminished through the repurchase of the Company's own shares for treasury.

Realised capital reserve

The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments;
- expenses, together with the related taxation effect, charged in accordance with the above policies; and
- dividends paid to equity holders.

Dividends

In accordance with FRS 21 "Events after the balance sheet date", dividends declared by the Company are accounted for in the period in which the dividend has been paid or approved by shareholders in an Annual General Meeting.

D shares

Until such time that D shares are converted into Ordinary shares, all investments and returns attributable to this class of share will be separately identifiable from the existing Ordinary shares. All residual expenses will be allocated in the ratio of the respective Net Asset Values of each class of share.

Notes to the Financial Statements (continued)

3. Gains/(losses) on investments

	Year ended 31 December 2010			Year ended 31 December 2009		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Unrealised gains on fixed asset investments held at fair value through profit or loss account	**338**	**–**	**338**	574	–	574
Unrealised reversals of impairments/(impairments) on fixed asset investments held at amortised cost	**261**	**20**	**281**	(1,557)	–	(1,557)
Unrealised gains/(losses) sub-total	**599**	**20**	**619**	(983)	–	(983)
Realised gains/(losses) on investments held at fair value through profit or loss account	**426**	**–**	**426**	(2)	–	(2)
Realised (losses) on investments held at amortised cost	**(40)**	**–**	**(40)**	(37)	–	(37)
Realised gains on current asset investments held at fair value through profit or loss account	**–**	**–**	**–**	36	–	36
Realised gains/(losses) sub-total	**386**	**–**	**386**	(3)	–	(3)
	985	**20**	**1,005**	(986)	–	(986)

Investments measured on an amortised cost basis are unquoted loan stock investments as described in note 2.

4. Investment income

	Year ended 31 December 2010			Year ended 31 December 2009		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Income recognised on investments held at fair value through profit or loss						
Dividend income	**27**	**–**	**27**	70	–	70
Floating rate note interest	**–**	**–**	**–**	20	–	20
Bank deposit interest	**66**	**73**	**139**	67	1	68
Income from convertible bonds and discounted debt	**15**	**–**	**15**	–	–	–
	108	**73**	**181**	157	1	158
Income recognised on investments held at amortised cost						
Return on loan stock investments	**727**	**16**	**743**	920	–	920
	835	**89**	**924**	1,077	1	1,078

Interest income earned on impaired investments at 31 December 2010 amounted to £74,000 (2009: £368,000). These investments are all held at amortised cost.

Notes to the Financial Statements (continued)

5. Investment management fees

	Year ended 31 December 2010 Ordinary shares £'000	Year ended 31 December 2010 D shares £'000	Year ended 31 December 2010 Total £'000	Year ended 31 December 2009 Ordinary shares £'000	Year ended 31 December 2009 D shares £'000	Year ended 31 December 2009 Total £'000
Investment management fee charged to revenue	**125**	**27**	**152**	135	–	135
Investment management fee charged to capital	**376**	**81**	**457**	406	1	407
	501	**108**	**609**	541	1	542

Further details of the Management agreement under which the investment management fee is paid are given in the Directors' report and enhanced business review on page 22.

6. Other expenses

	Year ended 31 December 2010 Ordinary shares £'000	Year ended 31 December 2010 D shares £'000	Year ended 31 December 2010 Total £'000	Year ended 31 December 2009 Ordinary shares £'000	Year ended 31 December 2009 D shares £'000	Year ended 31 December 2009 Total £'000
Directors' fees (including VAT and NIC)	**76**	**12**	**88**	87	–	87
Other administrative expenses	**87**	**29**	**116**	67	–	67
Auditor's remuneration for statutory audit services	**22**	**3**	**25**	24	–	24
	185	**44**	**229**	178	–	178

7. Directors' fees

The amounts paid to Directors during the year are as follows:

	Year ended 31 December 2010 Ordinary shares £'000	Year ended 31 December 2010 D shares £'000	Year ended 31 December 2010 Total £'000	Year ended 31 December 2009 Ordinary shares £'000	Year ended 31 December 2009 D shares £'000	Year ended 31 December 2009 Total £'000
Directors' fees	**71**	**11**	**82**	82	–	82
National insurance and/or VAT	**5**	**1**	**6**	5	–	5
	76	**12**	**88**	87	–	87

Further information can be found in the Directors' remuneration report on page 29.

Notes to the Financial Statements (continued)

8. Tax (charge)/credit on ordinary activities

The Company's combined tax credit of £32,000 (2009: credit of £6,000) is analysed between the two share classes as follows:

	Year ended 31 December 2010			Year ended 31 December 2009		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Ordinary shares	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
UK corporation tax in respect of current year	**(123)**	**97**	**(26)**	(193)	94	(99)
UK corporation tax in respect of prior years	**45**	**–**	**45**	105	–	105
	(78)	**97**	**19**	(88)	94	6

Factors affecting the tax charge:

Ordinary shares	**Year ended 31 December 2010 £'000**	Year ended 31 December 2009 £'000
Profit/(loss) on ordinary activities before taxation	**1,134**	(520)
Tax on profit/(loss) at the standard rate for small companies	**(238)**	146
Factors affecting the charge:		
Non-taxable profits/(losses)	**206**	(276)
Marginal relief	**–**	12
Non-taxable income	**6**	19
Consortium relief in respect of prior years	**45**	105
	19	6

	Year ended 31 December 2010			Year ended 31 December 2009		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
D shares	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
UK corporation tax in respect of current year	**(4)**	**17**	**13**	–	–	–
UK corporation tax in respect of prior years	**–**	**–**	**–**	–	–	–
	(4)	**17**	**13**	–	–	–

Factors affecting the tax charge:

D shares	**Year ended 31 December 2010 £'000**	Year ended 31 December 2009 £'000
Loss on ordinary activities before taxation	**(43)**	–
Tax on loss at the standard rate for small companies	**9**	–
Factors affecting the charge:		
Non-taxable profits	**4**	–
	13	–

The tax charge for the year shown in the Income statement is lower than the standard rate of corporation tax for small companies in the UK of 21 per cent. (2009: 28 per cent.). The differences are explained above.

Consortium relief is recognised in the accounts in the period in which the claim is submitted to HMRC and is shown as tax in respect of prior years.

Notes

(i) Venture Capital Trusts are not subject to corporation tax on capital gains.

(ii) Tax relief on expenses charged to capital has been determined by allocating tax relief to expenses by reference to the applicable corporation tax rate and allocating the relief between revenue and capital in accordance with the SORP.

(iii) No deferred tax asset or liability has arisen in the year.

Notes to the Financial Statements (continued)

9. Dividends

Ordinary shares	Year ended 31 December 2010 Revenue £'000	Capital £'000	Special reserve £'000	Year ended 31 December 2009 Revenue £'000	Capital £'000	Special reserve £'000
Dividend of 4.0p per Ordinary share paid on 25 September 2009	–	–	–	596	596	–
Dividend of 4.0p per Ordinary share paid on 4 May 2010	–	1,191	–	–	–	–
Dividend of 4.0p per Ordinary share paid on 30 September 2010	64	–	1,100	–	–	–
	64	1,191	1,100	596	596	–

Shareholders are reminded that the first Ordinary share dividend of 4.0 pence per share for the year to 31 December 2009 was paid in advance on 30 December 2008.

D shares	Year ended 31 December 2010 Revenue £'000	Capital £'000	Special reserve £'000	Year ended 31 December 2009 Revenue Revenue £'000	Capital Capital £'000	Special reserve £'000
Dividend of 1.0p per D share paid on 30 September 2010	–	–	65	–	–	–

In addition to the dividends summarised above, the Board has declared a first dividend of 2.50 pence per Ordinary share and 1.25 pence per D share for the year ending 31 December 2011. This dividend will be paid on 31 May 2011 to shareholders on the register as at 3 May 2011. This dividend totals approximately £730,000 for Ordinary shares and £80,000 for D shares.

10. Basic and diluted return/(loss) per share

Ordinary shares	Year ended 31 December 2010 Revenue	Capital	Total	Year ended 31 December 2009 Revenue	Capital	Total
The return per share has been based on the following figures:						
Return/(loss) attributable to equity shares (£'000)	447	706	1,153	702	(1,216)	(514)
Weighted average shares in issue (excluding treasury shares)		29,450,610			29,842,149	
Return/(loss) attributable per equity share (pence)	1.50	2.40	3.90	2.40	(4.10)	(1.70)

The weighted average number of Ordinary shares is calculated excluding the treasury shares of 3,243,696 (2009: 3,043,726).

D shares	Year ended 31 December 2010 Revenue	Capital	Total	Year ended 31 December 2009 Revenue	Capital	Total
The return per share has been based on the following figures:						
Return/(loss) attributable to equity shares (£'000)	14	(44)	(30)	–	–	–
Weighted average shares in issue (excluding treasury shares)		5,193,933			–	
Return/(loss) attributable per equity share (pence)	0.30	(0.90)	(0.60)	–	–	–

There are no D shares held in treasury.

There are no convertible instruments, derivatives or contingent share agreements in issue so basic and diluted return/(loss) per share are the same.

Notes to the Financial Statements (continued)

11. Fixed asset investments

The classification of investments by nature of instruments is as follows:

	Ordinary shares		D shares	
	31 December 2010 £'000	31 December 2009 £'000	**31 December 2010 £'000**	31 December 2009 £'000
Unquoted equity	**5,199**	4,733	**530**	–
Quoted equity	**241**	1,270	**–**	–
Unquoted loan stock	**11,476**	12,852	**1,212**	–
Convertible and discounted bonds	**937**	–	**44**	–
Warrants	**–**	20	**–**	–
	17,853	18,875	**1,786**	–

	Ordinary shares £'000	**D shares £'000**	**Combined £'000**
Opening valuation as at 1 January 2010	**18,875**	**–**	**18,875**
Purchases at cost	1,514	1,765	3,279
Disposal proceeds	(3,564)	–	(3,564)
Realised gains	386	–	386
Movement in loan stock accrued income	43	1	44
Unrealised gains	599	20	619
Closing valuation as at 31 December 2010	**17,853**	**1,786**	**19,639**
Movement in loan stock accrued income			
Opening accumulated movement in loan stock accrued income	**376**	**–**	**376**
Movement in loan stock accrued income	43	1	44
Closing accumulated movement in loan stock accrued income as at 31 December 2010	**419**	**1**	**420**
Movement in unrealised losses			
Opening accumulated unrealised losses	**(6,500)**	**–**	**(6,500)**
Transfer of previously unrealised losses on disposal	682	–	682
Movement in unrealised losses	599	20	619
Closing accumulated unrealised losses as at 31 December 2010	**(5,218)**	**20**	**(5,198)**
Historic cost basis			
Opening book cost	**24,999**	**–**	**24,999**
Purchases at cost	1,514	1,765	3,279
Sales at cost	(3,861)	–	(3,861)
Closing book cost as at 31 December 2010	**22,652**	**1,765**	**24,417**

Ordinary shares' fixed asset investments held at fair value through the profit or loss account total £6,377,000 (2009: £6,023,000) and include convertible bonds and debt with a carrying value of £740,000 as at 31 December 2010 which have been re-presented from the amortised cost to fair value category in the accounts having previously been designated fair value through profit and loss on initial recognition. Investments measured at amortised cost total £11,476,000 (2009: £12,852,000).

Ordinary shares' loan stocks (including those carried at fair value through profit or loss) using a fixed interest rate total £12,302,000 (2009: £12,566,000) and loan stock using a floating rate total £111,000 (2009: £286,000).

D shares' fixed asset investments held at fair value through the profit or loss account total £574,000 (2009: nil). Investments held at amortised cost total £1,212,000 (2009: nil).

All D shares' loan stock uses a fixed interest rate.

The amounts shown for the purchase and disposal of fixed assets included in the cash flow statement differ from the amounts shown above, due to deferred consideration shown as a debtor, and investment settlement debtors and creditors.

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

For both Ordinary and D shares, the Directors believe that the carrying value of loan stock measured at amortised cost is not materially different to fair value. The Company does not hold any assets as the result of the enforcement of security during the period, and believes that the carrying values for both impaired and past due assets are covered by the value of security held for these loan stock investments.

Unquoted equity investments and convertible and discounted bonds are valued in accordance with the IPEVCV guidelines as follows;

	31 December 2010			31 December 2009		
Valuation methodology	**Ordinary shares £'000**	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Cost (reviewed for impairment)	**603**	**521**	**1,124**	431	–	431
Net asset value supported by third party valuation	**905**	**53**	**958**	992	–	992
Net asset value supported by independent desktop review	**38**	**–**	**38**	–	–	–
Recent investment price	**672**	**–**	**672**	1,384	–	1,384
Earning multiple	**2,133**	**–**	**2,133**	1,946	–	1,946
Revenue multiple	**1,785**	**–**	**1,785**	–	–	–
	6,136	**574**	**6,710**	4,753	–	4,753

The Ordinary shares portfolio had the following movements between valuation methodologies between 31 December 2009 and 31 December 2010:

Change in valuation methodology (2009 to 2010)	**Value as at 31 December 2010 £'000**	**Explanatory note**
Cost (reviewed for impairment) to recent investment price	109	More recent pricing information available
Cost (reviewed for impairment) to revenue multiple	310	Company performance can be measured against industry comparables
Cost (reviewed for impairment) to net asset value supported by third party valuation	2,602	Improvement in asset valuation
Recent investment price to revenue multiple	1,137	Company performance can be measured against industry comparables
Earnings multiple to revenue multiple	115	Temporary trading losses
Recent investment price to earnings multiple	69	Earnings are now being generated

There has been no change in D shares' valuation methodologies as there were no investments as at 31 December 2009.

The valuation method used will be the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the IPEVCV Guidelines. The Directors believe that, within these parameters, there are no other possible methods of valuation which would be reasonable as at 31 December 2010.

The amended FRS 29 'Financial Instruments: Disclosures' requires the Company to disclose the valuation methods applied to its investments measured at fair value through profit or loss in a fair value hierarchy according to the following definitions;

Fair value hierarchy	**Definition of valuation method**
Level 1	Unadjusted quoted (bid) prices applied
Level 2	Inputs to valuation are from observable sources and are directly or indirectly derived from prices
Level 3	Inputs to valuations not based on observable market data.

11. Fixed asset investments (continued)

The Ordinary shares' investments valued at fair value through profit or loss account can be categorised in accordance with FRS 29 as follows;

	31 December 2010			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Quoted equity	**241**	**–**	**–**	**241**
Unquoted equity	**–**	**–**	**5,199**	**5,199**
Convertible and discounted bonds	**–**	**–**	**937**	**937**
	241	**–**	**6,136**	**6,377**

	31 December 2009			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equity	1,270	–	–	1,270
Unquoted equity	–	–	4,753	4,753
	1,270	–	4,753	6,023

The D shares' investments valued at fair value through profit or loss account can be categorised in accordance with FRS 29 as follows:

	31 December 2010			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Unquoted equity	**–**	**–**	**530**	**530**
Convertible and discounted bonds	**–**	**–**	**44**	**44**
	–	**–**	**574**	**574**

The Ordinary and D shares' unquoted equity investments and convertible and discounted bonds valued at fair value through profit or loss (level 3) had the following movements in the year to 31 December 2010:

	Ordinary shares £'000	**D shares £'000**	**Total £'000**
Opening balance as at 1 January 2010	**4,753**	**–**	**4,753**
Additions	1,025	554	1,579
Disposals	(961)	–	(961)
Re-presentation of convertible bond	740	–	740
Unrealised gains on equity investments and convertible and discounted bonds	579	20	599
Closing balance as at 31 December 2010	**6,136**	**574**	**6,710**

The Ordinary and D shares' unquoted equity investments and convertible and discounted bonds valued at fair value through profit or loss (level 3) had the following movements in the year to 31 December 2009:

	Ordinary shares £'000	D shares £'000	Total £'000
Opening balance as at 1 January 2009	3,599	–	3,599
Additions	1,081	–	1,081
Disposals	(410)	–	(410)
Unrealised gains on equity investments	483	–	483
Closing balance as at 31 December 2009	4,753	–	4,753

FRS 29 requires the Directors to consider the impact of changing one or more of the inputs used as part of the valuation process to reasonable possible alternative assumptions. The valuation methodology applied to 36% of the Ordinary shares' and 100% of the D shares' unquoted equity investments and convertible and discounted bonds (by valuation) as at 31 December 2010 is based on third party independent evidence and recent investment price. The Directors believe that changes to reasonable possible alternative assumptions for the valuation of the portfolio could result in an increase in the valuation of investments of £243,000 or a decrease in investments of £483,000 for the Ordinary share portfolio.

Notes to the Financial Statements (continued)

12. Significant interests

The principal activity of the Company is to select and hold a portfolio of investments in unquoted securities. Although the Company, through the Manager, will, in some cases, be represented on the board of the investee company, it will not take a controlling interest or become involved in the day-to-day management of an investee company.

The size and structure of the companies with unquoted securities may result in certain holdings in the portfolio representing a participating interest without there being any partnership, joint venture or management consortium agreement. The Company has interests of greater than 20 per cent. of the nominal value of any class of the allotted shares in the investee companies as at 31 December 2010, as described below:

Company	Country of incorporation	Principal activity	% class and share type	% total voting rights
Evolutions Television Limited	Great Britain	Television and post production	27.0% A Ordinary	23.7%
The Q Garden Company Limited	Great Britain	Garden centre operator	33.2% A Ordinary 10.8% Ordinary	16.6%
Consolidated PR Limited	Great Britain	Public relations agency	50.0% A Ordinary	11.8%
Albion Investment Properties Limited	Great Britain	Owner of residential property	48.4% A Ordinary	48.4%
Blackbay Limited	Great Britain	Mobile data solutions	21.1% A Ordinary	7.4%
Masters Pharmaceuticals Limited	Great Britain	International specialist distributor of pharmaceuticals	21.1% A Ordinary	3.6%

As permitted by FRS 9, the investments listed above are held as part of an investment portfolio, and their value to the Company is as part of a portfolio of investments. Therefore these investments are not considered to be associated undertakings.

13. Trade and other debtors

	31 December 2010			31 December 2009		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Prepayments and accrued income	**9**	**5**	**14**	24	1	25
UK corporation taxable receivable	**113**	**13**	**126**	136	–	136
Other debtors	**97**	**–**	**97**	10	235	245
	219	**18**	**237**	170	236	406

The Directors consider that the carrying amount of debtors is not materially different from their fair value.

14. Creditors: amounts falling due within one year

	31 December 2010			31 December 2009		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Trade creditors	**142**	**35**	**177**	–	–	–
Accruals and deferred income	**52**	**11**	**63**	200	78	278
Other creditors	**85**	**145**	**230**	28	–	28
	279	**191**	**470**	228	78	306

The Directors consider that the carrying amount of creditors is not materially different from their fair value.

Notes to the Financial Statements (continued)

15. Called up share capital

	31 December 2010			31 December 2009		
	Ordinary shares	**D shares**	**Total**	Ordinary shares	D shares	Total
Authorised share capital of 50 pence each						
Number of authorised shares	**50,000,000**	**40,000,000**	**90,000,000**	50,000,000	40,000,000	90,000,000
Nominal value of authorised shares (£'000)	**25,000**	**20,000**	**45,000**	25,000	20,000	45,000
Allotted, called up and fully paid shares of 50 pence each						
Number of shares	**32,439,999**	**6,335,155**	**38,775,154**	32,713,157	1,433,600	34,146,757
Nominal value of authorised shares (£'000)	**16,220**	**3,168**	**19,388**	16,357	717	17,074
Number of shares in issue (net of treasury shares)	**29,196,303**	**6,335,155**	**35,531,458**	29,669,431	1,433,600	31,103,031

The Company purchased 441,970 Ordinary shares (2009: 424,011) to be held in treasury at a cost of £289,000 (2009: £268,000). The Company cancelled 242,000 Ordinary shares from treasury, and purchased 241,615 Ordinary shares for cancellation at a cost of £157,000.

The Company holds a total of 3,243,696 Ordinary shares in treasury, representing 9.5 per cent. of the issued share capital as at 31 March 2011. There are no D shares held in treasury.

Under the terms of the Ordinary shares' Dividend Reinvestment Scheme Circular dated 27 August 2008, the following Ordinary shares of 50 pence nominal value were allotted during the year.

Date of allotment	**Number of shares allotted**	**Issue price pence per share**	**Aggregate nominal value of shares £'000**	**Consideration received £'000**	**Opening market price per share on allotment date pence per share**
4 May 2010	**101,296**	**75.30**	**50**	**69**	**67.00**
30 September 2010	**109,161**	**73.00**	**54**	**79**	**65.00**
	210,457		**104**	**148**	

Under the Offer for Subscription for D shares launched on 1 October 2009, the following D shares of 50 pence nominal value were allotted at an issue price of 100.00 pence per share;

Date of allotment	**Number of shares allotted**	**Aggregate nominal value of shares £'000**	**Net consideration received £'000**	**Opening market price per share on allotment date pence per share**
28 January 2010	**561,425**	**281**	**531**	**95.00**
25 February 2010	**112,150**	**56**	**107**	**95.00**
15 March 2010	**408,425**	**204**	**387**	**95.00**
23 March 2010	**652,295**	**326**	**618**	**95.00**
5 April 2010	**2,792,235**	**1,396**	**2,641**	**95.00**
30 April 2010	**323,525**	**162**	**301**	**95.00**
21 June 2010	**51,500**	**26**	**50**	**95.00**
	4,901,555	**2,451**	**4,635**	

Notes to the Financial Statements (continued)

16. Cancellation of the D share premium account

Shareholders approved the cancellation of the Company's D share premium account by way of special resolution at a General Meeting held on 28 October 2009. The share premium account amounting to £2.8 million was subsequently cancelled on 18 August 2010 by order of the High Court and the Notice regarding the cancellation was registered at Companies House on 18 August 2010. The purpose of this cancellation is to increase the special reserve available for distribution as dividends, and which, amongst other purposes, can be used for making market purchases of D shares.

17. Basic and diluted net asset values per share

	31 December 2010		31 December 2009	
	Ordinary shares pence per share	**D shares pence per share**	Ordinary shares pence per share	D shares pence per share
Basic and diluted net asset values per share	**75.40**	**93.00**	79.30	94.60

The basic and diluted net asset values per share at the year end are calculated in accordance with the Articles of Association and are based upon total shares in issue (less treasury shares) of 29,196,303 Ordinary shares (2009: 29,669,431) and 6,335,155 D shares (2009: 1,433,600) as at 31 December 2010.

18. Analysis of changes in cash during the year

	Year ended 31 December 2010			Year ended 31 December 2009		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Opening cash balances	**4,709**	**1,199**	**5,908**	3,790	–	3,790
Net cash flow	**(482)**	**3,086**	**2,604**	919	1,199	2,118
Closing cash balances	**4,227**	**4,285**	**8,512**	4,709	1,199	5,908

19. Reconciliation of net return on ordinary activities before taxation to net cash flow from operating activities

	Year ended 31 December 2010			Year ended 31 December 2009		
	Ordinary shares £'000	**D shares £'000**	**Total £'000**	Ordinary shares £'000	D shares £'000	Total £'000
Revenue return on ordinary activities before taxation	**525**	**18**	**543**	790	1	791
Investment management fee charged to capital	**(376)**	**(81)**	**(457)**	(406)	(1)	(407)
Recoverable VAT capitalised	**–**	**–**	**–**	82	–	82
Movement in accrued amortised loan stock interest	**(43)**	**(1)**	**(44)**	22	–	22
Decrease/(increase) in debtors	**26**	**(4)**	**22**	463	–	463
(Decrease)/increase in creditors	**(31)**	**48**	**17**	100	–	100
Net cash flow from operating activities	**101**	**(20)**	**81**	1,051	–	1,051

Notes to the Financial Statements (continued)

20. Capital and financial instruments risk management

The Company's capital comprises Ordinary shares and D shares as described in note 15. The Company is permitted to buy back its own shares for cancellation or treasury purposes, and this is described in more detail on page 23 of the Directors' report and enhanced business review. Details regarding the issue of new shares under the Albion VCTs Linked Top Up Offer are shown in note 22.

The Company's financial instruments comprise equity and loan stock investments in unquoted companies, equity in main market quoted companies, cash balances and short term debtors and creditors which arise from its operations. The main purpose of these financial instruments is to generate cashflow and revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short term creditors. The Company does not use any derivatives for the management of its balance sheet.

The principal risks arising from the Company's operations are:

- Investment (or market) risk (which comprises investment price and cash flow interest rate risk);
- credit risk; and
- liquidity risk.

The Board regularly reviews and agrees policies for managing each of these risks. There have been no changes in the nature of the risks that the Company has faced during the past year, and apart from where noted below, there have been no changes in the objectives, policies or processes for managing risks during the past year. The key risks are summarised below.

Investment risk

As a venture capital trust, it is the Company's specific nature to evaluate and control the investment risk of its portfolio in quoted and unquoted investments, details of which are shown on pages 11 to 14. Investment risk is the exposure of the Company to the revaluation and devaluation of investments. The main driver of investment risk is the operational and financial performance of the investee company and the dynamics of market quoted comparators. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment risk.

The Manager and the Board formally reviews investment risk (which includes market price risk), both at the time of initial investment and at quarterly Board meetings.

The Board monitors the prices at which sales of investments are made to ensure that profits to the Company are maximised, and that valuations of investments retained within the portfolio appear sufficiently prudent and realistic compared to prices being achieved in the market for sales of unquoted investments.

The maximum investment risk as at the balance sheet date is the value of the fixed asset investment portfolio which, for Ordinary shares is £17,853,000 (2009: £18,875,000) and for D shares £1,786,000 (2009: nil). Fixed asset investments form 81 per cent. of the Ordinary shares' and 30 per cent. of the D shares' net asset value as at 31 December 2010 (2009: 80 per cent. Ordinary shares; nil D shares).

More details regarding the classification of fixed asset investments are shown in note 11.

Investment price risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment instrument or to a market in similar instruments. To mitigate the investment price risk for the Company as a whole, the strategy of the Company is to invest in a broad spread of industries with approximately two-thirds of the unquoted investments comprising debt securities, which, owing to the structure of their yield and the fact that they are usually secured, have a lower level of price volatility than equity. Details of the industries in which investments have been made are shown in the pie charts on page 8 of the Manager's report.

Valuations are based on the most appropriate valuation methodology for an investment within its market, with regard to the financial health of the investment and the September 2009 IPEVCV Guidelines. The Directors believe that, within these parameters, there are no reasonable possible alternative methods of valuation of the investments as at 31 December 2010.

As required under FRS 29 "Financial Instruments: Disclosures", the Board is required to illustrate by way of a sensitivity analysis the degree of exposure to market risk. The Board considers that the value of the fixed asset investment portfolio is sensitive to a 10 per cent. change based on the current economic climate. The impact of a 10 per cent. change has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and future expectations.

The sensitivity of a 10 per cent. increase or decrease in the valuation of the fixed asset investment portfolio (keeping all other variables constant) would increase or decrease the net asset value and return for the year of Ordinary shares by £1,785,000 and £179,000 for the D shares.

Notes to the Financial Statements (continued)

20. Capital and financial instruments risk management (continued)

Cash flow interest rate risk

It is the Company's policy to accept a degree of interest rate risk on its financial assets through the effect of interest rate changes. On the basis of the Company's analysis, it is estimated that a rise or fall of 0.5 per cent. in all LIBOR and base rates would have reduced total return before tax for the year by approximately £22,000 for the Ordinary shares (2009: £35,000) and £24,000 for the D shares (2009: nil).

The weighted average interest rate applied to the Company's fixed rate assets during the year was approximately 4.5 per cent. for the Ordinary shares (2009: 6.1 per cent.) and 2.9 per cent. for the D shares (2009: nil).

The weighted average period to maturity for the fixed rate assets is approximately 1.8 years (2009: 2.8 years) for Ordinary shares and 4.7 years for D shares (2009: nil).

The Company's financial assets and liabilities, all denominated in pounds sterling, consist of the following:

Ordinary shares

	31 December 2010				31 December 2009			
	Fixed rate £'000	**Floating rate £'000**	**Non-interest bearing £'000**	**Total £'000**	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Unquoted equity	**–**	**–**	**5,199**	**5,199**	–	–	4,753	4,753
Quoted equity	**–**	**–**	**241**	**241**	–	–	1,270	1,270
Convertible and discounted bonds	**936**	**–**	**–**	**936**	–	–	–	–
Unquoted loan stock	**11,366**	**111**	**–**	**11,477**	12,566	286	–	12,852
Debtors	**–**	**–**	**219**	**219**	–	–	170	170
Current liabilities	**–**	**–**	**(279)**	**(279)**	–	–	(228)	(228)
Cash	**3,703**	**524**	**–**	**4,227**	4,420	289	–	4,709
	16,005	**635**	**5,380**	**22,020**	16,986	575	5,965	23,526

D shares

	31 December 2010				31 December 2009			
	Fixed rate £'000	**Floating rate £'000**	**Non-interest bearing £'000**	**Total £'000**	Fixed rate £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
Unquoted equity	**–**	**–**	**530**	**530**	–	–	–	–
Convertible and discounted bonds	**44**	**–**	**–**	**44**	–	–	–	–
Unquoted loan stock	**1,212**	**–**	**–**	**1,212**	–	–	–	–
Debtors	**–**	**–**	**18**	**18**	–	–	236	236
Current liabilities	**–**	**–**	**(191)**	**(191)**	–	–	(78)	(78)
Cash	**4,050**	**235**	**–**	**4,285**	–	1,199	–	1,199
	5,306	**235**	**357**	**5,898**	–	1,199	158	1,357

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company is exposed to credit risk through its debtors, investment in unquoted loan stock, and through the holding of cash on deposit with banks.

The Manager evaluates credit risk on loan stock instruments prior to investment, and as part of its ongoing monitoring of investments. In doing this, it takes into account the extent and quality of any security held. Typically loan stock instruments have a first fixed charge or a fixed and floating charge over the assets of the investee company in order to mitigate the gross credit risk. The Manager receives management accounts from investee companies, and members of the investment management team often sit on the boards of unquoted investee companies; this enables the close identification, monitoring and management of investment specific credit risk.

Notes to the Financial Statements (continued)

20. Capital and financial instruments risk management (continued)

Credit risk

Bank deposits are held with banks which have a Moody's credit rating of at least 'A'. The Company has an informal policy of limiting counterparty banking exposure to a maximum of 20 per cent. of net asset value for any one counterparty.

The Manager and the Board formally review credit risk (including debtors) and other risks, both at the time of initial investment and at quarterly Board meetings.The Company's total gross credit risk for Ordinary shares at 31 December 2010 was limited to £12,413,000 (2009: £12,852,000) of unquoted loan stock instruments, £219,000 debtors (2009: £170,000) and £4,227,000 (2009: £4,709,000) cash deposits with banks.

The Company's total gross credit risk for D shares at 31 December 2010 was limited to £1,256,000 unquoted loan stock instruments, £18,000 debtors and £4,285,000 of cash on deposit with banks.

The Ordinary shares' cost, impairment and carrying value of impaired loan stocks measured at amortised cost as at 31 December 2010 and 31 December 2009 are as follows:

		31 December 2010			31 December 2009	
Ordinary shares	**Cost £'000**	**Impairment £'000**	**Carrying value £'000**	Cost £'000	Impairment £'000	Carrying value £'000
Impaired loan stock	**7,133**	**(2,262)**	**4,871**	8,143	(2,621)	5,522

There are no impaired loan stock instruments for D shares.

Impaired loan stock instruments have a first fixed charge or a fixed and floating charge over the assets of the investee company and the Board deem the security value to be the carrying value.

As at the balance sheet date, the cash held by the Company is held with the Royal Bank of Scotland plc, Lloyds TSB Bank plc, Scottish Widows Bank plc and Standard Life Cash Savings (part of Barclays Bank plc). Credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to regulatory supervision, with Moody's credit ratings of at least 'A' or equivalent as assigned by international credit-rating agencies.

Liquidity risk

Liquid assets are held as cash on current account, cash on deposit or short term money market account. Under the terms of its Articles, the Company has the ability to borrow up to 10 per cent. of its adjusted capital and reserves of the latest published audited balance sheet, which amounts to £2,791,000 (2009: £2,488,000) as at 31 December 2010.

The Company had no committed borrowing facilities as at 31 December 2010 (2009: nil) and the Company had cash balances of £8,512,000 (2009: £5,908,000). The main cash outflows are for new investments, buy-back of shares and dividend payments, which are within the control of the Company. The Manager formally reviews the cash requirements of the Company on a monthly basis, and the Board on a quarterly basis, as part of its review of management accounts and forecasts. All of the Company's financial liabilities are short term in nature and total £470,000 (2009: £305,000).

The carrying value of Ordinary shares' loan stock investments at 31 December 2010 as analysed by expected maturity dates is as follows:

Redemption date	**Fully performing £'000**	**Renegotiated £'000**	**Impaired £'000**	**Past due £'000**	**Total £'000**
Less than one year	**–**	**–**	**2,603**	**205**	**2,808**
1-2 years	**1,279**	**894**	**498**	**2,259**	**4,930**
2-3 years	**1,078**	**–**	**514**	**122**	**1,714**
3-5 years	**1,340**	**111**	**1,256**	**226**	**2,933**
Greater than 5 years	**28**	**–**	**–**	**–**	**28**
	3,725	**1,005**	**4,871**	**2,812**	**12,413**

Notes to the Financial Statements (continued)

20. Capital and financial instruments risk management (continued)

The carrying value of Ordinary shares' loan stock investments at 31 December 2009 as analysed by expected maturity dates is as follows:

Redemption date	Fully performing £'000	Renegotiated £'00	Impaired £'000	Total £'000
Less than one year	114	34	97	245
1-2 years	1,583	905	134	2,622
2-3 years	429	48	3,995	4,472
3-5 years	2,820	1,397	1,296	5,513
	4,946	2,384	5,522	12,852

All of the D shares' loan stock investments at 31 December 2010 are fully performing and are expected to mature over periods longer than 4 years.

Loan stock categorised as past due includes;

- loan stock valued at £309,000 yielding 14.3 per cent. which has capital past due by 2 months;
- loan stock valued at £1,213,000 which has interest part due which is yielding 4.0 per cent.;
- loan stock valued at £737,000 which has interest past due which is yielding 7 per cent.;
- loan stock valued at £278,000 which has interest overdue by 10 months, the payment of which has been deferred to December 2011;
- loan stock valued at £205,000 which has capital repayments overdue by six months, which is yielding 9.9 per cent.;
- loan stock valued at £70,000 which has interest overdue for in excess of 15 months.

Loan stock disclosed as renegotiated would otherwise be disclosed as past due.

In view of the factors identified above, the Board considers that the Company is subject to low liquidity risk.

Fair values of financial assets and financial liabilities

All of the Company's financial assets and liabilities as at 31 December 2010 are stated at fair value as determined by the Directors, with the exception of loans and receivables included within investments, which are measured at amortised cost, in accordance with FRS 26. The Directors believe that the current carrying value of loan stock is not materially different to the fair value. There are no financial liabilities other than creditors. The Company's financial liabilities are all non-interest bearing. It is the Directors' opinion that the book value of the financial liabilities is not materially different from the fair value and all are payable within one year.

21. Contingencies and Comittments

The Company has the following financial committments in respect of investments:

- Rostima Holdings Limited, £60,000;
- TEG Biogas (Perth) Limited, £208,000;
- The Street by Street Solar Programme Limited, £418,000; and
- Nelson House Hospital Limited, £1,131,000.

Notes to the Financial Statements (continued)

22. Post balance sheet events

Since the year end, the Company has made the following investments:

- Regenerco Renewable Energy Limited, £130,000;
- AVESI Limited, £104,000;
- Xceleron Limited, £25,000;
- Masters Pharmaceuticals Limited, £148,000;
- Nelson House Hospital Limited, £23,000; and
- Prime Care Holdings Limited, £43,000.

On 1 November 2010 the Company announced the launch of the Albion VCTs Linked Top Up Offer. In aggregate, the Albion VCTs will be aiming to raise approximately £13.3 million across seven of the VCTs managed by Albion Ventures LLP, of which Albion Development VCT PLC's share will be approximately £2 million. The maximum amount raised by each of the Albion VCTs will be the lower of €2.5 million, and 10 per cent. of its issued share capital (over any one 12 month period, and including any shares issued under Dividend Reinvestment Schemes), being the amount that they may issue under the Prospectus Rules without the publication of a full prospectus. The number of new shares available may change depending on the £:€ exchange rate at the date of allotment.

The proceeds of the Offer will be used to provide further resources to the Albion VCTs at a time when a number of attractive new investment opportunities are being seen. An Investor Guide and Offer document have been sent to shareholders.

The following Ordinary shares of nominal value 50 pence per share were allotted under the Offer after the year end:

Date of allotment	Issue price (pence per share)	Number of shares allotted	Aggregate nominal value of shares £'000	Net consideration received £'000	Opening market price per share on allotment date pence per share
7 January 2011	80.1	816,370	408	604	64.00
22 March 2011	80.1	811,163	406	614	60.50

23. Related party transactions

The Manager, Albion Ventures LLP, is considered to be a related party by virtue of the fact that the Manager is party to a Management Agreement from the Company (details disclosed on page 22 of this report). During the year, services of a total value of £609,000 (2009: £542,000) were purchased by the Company from Albion Ventures LLP in respect of management fees. At the financial year end, the amount due to Albion Ventures LLP disclosed as trade creditors was £160,000 (2009: £143,000).

Albion Ventures LLP acts as receiving agent and a promoter for the Offer for Subscription of D shares. Under the terms of the Offer, Albion Ventures was entitled to receive 5.5 per cent. of funds raised under the Offer in exchange for underwriting the costs of the Offer. During the year, Albion Ventures LLP charged £193,000 in respect of its services as receiving agent. These sums have been offset against amounts credited to the share premium account.

Albion Ventures LLP holds 331 fractional entitlement shares of the Company as a result of the conversion of C shares to Ordinary shares in March 2007. These shares will be sold for the benefit of the Company at a future date.

Albion Ventures LLP also holds 14,000 Ordinary shares as a result of the failure of an original subscriber to pay cleared funds on initial subscription.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Albion Development VCT PLC (the "Company") will be held at the City of London Club, 19 Old Broad Street, London EC2N 1DS on 11 May 2011 at 12 noon for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 8 will be proposed as ordinary resolutions and numbers 9-11 as special resolutions.

Ordinary Business

1. To receive and adopt the Company's accounts for the year ended 31 December 2010 together with the report of the Directors and Auditors.

2. To approve the Directors' remuneration report for the year ended 31 December 2010.

3. To re-elect David Pinckney as a Director of the Company.

4. To re-elect Jonathan Thornton as a Director of the Company.

5. To re-elect Andrew Phillipps as a Director of the Company.

6. To re-appoint PKF (UK) LLP as Auditors of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.

7. To authorise the Directors to agree the Auditors' remuneration.

Special Business

8. That, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company up to a maximum aggregate nominal amount of £1,621,999 for Ordinary shares and £316,757 for D shares, such authority shall expire at the conclusion of the next Annual General Meeting or on 11 October 2012, whichever is earlier, but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require shares to be allotted after the expiry of such period and the Directors may allot shares pursuant to such an offer or agreement as if the authority had not expired.

9. That, subject to and conditional on the passing of resolution number 8, the Directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 8 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   (a) in connection with an offer of such securities by way of rights issue;

   (b) in connection with any Dividend Reinvestment Scheme introduced and operated by the Company;

   (c) in connection with the Albion VCTs Linked Top Up Offer; and

   (d) otherwise than pursuant to paragraphs (a), (b) and (c) above, up to an aggregate nominal amount of £1,621,999 for Ordinary shares and £316,757 for D shares .

   and shall expire at the conclusion of the next Annual General Meeting or 11 October 2012, whichever is earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

   In this resolution, "rights issue" means an offer of equity securities open for acceptance for a period fixed by the Directors to holders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory.

   This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of the resolution the words "pursuant to the authority conferred by resolution number 8" were omitted.

Notice of Annual General Meeting (continued)

10. That, the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares and D shares of 50 pence each in the capital of the Company, on such terms as the Directors think fit, and where such shares are held as treasury shares, the Company may use them for the purposes set out in section 727 of the Act, provided that:

    (a) the maximum number of shares hereby authorised to be purchased is 4,862,755 Ordinary shares and 949,639 D shares, equal to 14.99 per cent. of the shares in issue;

    (b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary share or a D share is 50 pence;

    (c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary or D share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotations for an Ordinary or D share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary or D share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;

    (d) the authority hereby conferred shall, unless previously revoked or varied, expire at the end of the next Annual General Meeting, or 11 October 2012, whichever is earlier; and

    (e) the Company may make a contract or contracts to purchase Ordinary or D shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of shares in pursuance of any such contract or contracts.

    Under the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), Ordinary and D shares purchased by the Company out of distributable profits can be held as treasury shares, which may then be cancelled or sold for cash. The authority sought by this special resolution number 10 is intended to apply equally to shares to be held by the Company as treasury shares in accordance with the Regulations.

11. That the Directors be empowered to sell treasury shares at the higher of the prevailing current share price and the price bought in at.

    BY ORDER OF THE BOARD

Albion Ventures LLP
Company Secretary
Registered Office
1 King's Arms Yard,
London EC2R 7AF
5 April 2011

Registered in England and Wales with number 3654040

Notice of Annual General Meeting (continued)

Notes

1. Members entitled to attend, speak and vote at the Annual General Meeting ("AGM") may appoint a proxy or proxies (who need not be a member of the Company) to exercise these rights in their place at the meeting. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. Proxies may only be appointed by completing and returning the Form of Proxy enclosed with this Notice to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.

   Return of the Form of Proxy will not preclude a member from attending the meeting and voting in person. A member may not use any electronic address provided in the Notice of this meeting to communicate with the Company for any purposes other than those expressly stated.

   To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by 12 noon on 9 May 2011.

   In accordance with good governance practice, the Company is offering shareholders use of an online service, offered by the Company's registrar, Capita Registrars, at www.capitashareportal.com. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 12 noon on 9 May 2011 applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. Shareholders will need to use the unique personal identification Investor Code that is printed in their Form of Proxy. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.

2. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 ('the Act') to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by members of the Company.

3. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 12 noon on 9 May 2011 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

5. Copies of contracts of service and letters of appointment between the Directors and the Company will be available for inspection at the Registered Office of the Company during normal business hours from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion. In addition, a copy of the articles of association will be available for inspection at the Company's registered office from the date of this Notice until the conclusion of the meeting, and at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.

6. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which the annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

7. A copy of this Notice, and other information regarding the meeting, as required by section 311A of the Act, is available from www.albion-ventures.co.uk, Our Funds, Albion Development VCT PLC.

8. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

9. As at 31 March 2011 (being the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 34,067,532 Ordinary shares and 6,335,155 D shares. The Company holds 3,243,696 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 31 March 2011 are 37,158,991.

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Albion Development VCT PLC

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